



City Council Agenda Item Report

January 15th, 2013

Agenda Item No. _____

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SUBJECT: APPROVAL OF THE SECOND READING OF AN ORDINANCE GRANTING TO CENTERPOINT ENERGY TEXAS GAS OPERATIONS, THE RIGHT, PRIVILEGE AND FRANCHISE TO CONSTRUCT, INSTALL, EXTEND, REMOVE, REPLACE, ABANDON, OPERATE AND MAINTAIN ITS FACILITIES WITHIN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF BUDA, TEXAS FOR THE TRANSPORTATION, DELIVERY, SALE, AND DISTRIBUTION OF NATURAL GAS.

1. BACKGROUND/HISTORY

CenterPoint Energy is the current natural gas provider within the incorporated city limits of Buda. Originally, the City entered into a franchise agreement with Centerpoint in 1979 for 30 years. As such, the agreement expired and staff has been working diligently with CenterPoint to renew terms.

Council approved the first reading of the ordinance on December 18th, 2013.

2. FINDINGS/CURRENT ACTIVITY

Staff has been going back and forth with CenterPoint for a couple of years on such terms. At one point, CenterPoint in 2010 filed a rate increase with the Railroad Commission which caused such agreement to be put on the “back burner” until such settlement was reached. Now, staff feels we have come to an amicable resolution with a document providing mutually acceptable terms that provide both parties achieving their goals. For the record, staff researched several cities within CenterPoint’s service district to try to find the latest acceptable terms other cities were afforded. Taking all research into consideration, the following is a summary of terms incorporated within the document:

Original franchise	Proposed franchise
<ul style="list-style-type: none"> • 30 year term • Payment of 2% gross receipts <ul style="list-style-type: none"> ◦ 2011 total payment- \$21,876 	<ul style="list-style-type: none"> • 10 year term • Payment of 4% gross receipts plus 7 cents per Mcf (1,000 cubic feet) of gas transported by CenterPoint to a large volume customer (current large volume user is HEB.) <ul style="list-style-type: none"> ◦ 2011 total payment would have been- \$43,776 • Definition of gross receipts • CenterPoint shall make mobility arrangements with City if ROW becomes impassable. • Upon request, CenterPoint will provide mapping specific to City's project detailing location of CenterPoint's facilities. • Prior to work, CenterPoint shall provide written scope and duration of work at least 20 days prior to start of construction unless there is an emergency. • CenterPoint will guarantee workmanship for one (1) year following completion of the restoration. • If City determines imminent threat to health and safety, City shall contact CenterPoint. But if unsuccessful, City can restore the area and be reimbursed by CenterPoint. • The City retains its original jurisdiction. This allows the City to protest any future rate increases versus surrendering to the authority of the Railroad Commission.

3. FINANCIAL IMPACT

At 2% of 2011 total gross receipts, City was paid \$21,867. At 4% 2011 total gross receipts with 7cents per Mcf of transported gas (HEB), the city would have received \$43,776. Below is a detailed breakdown from CenterPoint on 2011 total gross receipts:

CenterPoint Energy Entex
 Study of Franchise Options
 Buda, Texas

Year 2011	Class 6 @ 2%	Adjust to Class 8 @ 4%
Taxable Revenues Residential	807,276.17	807,276.17
Small Commercial	197,349.71	197,349.71
Large Commercial	87,386.99	87,386.99
Unknown Type Industrial	5,959.47	5,959.47
Total Taxable	<u>1,097,972.34</u>	<u>1,097,972.34</u>
Net Write Offs	<u>(4,142.19)</u>	<u>(4,142.19)</u>
Net Taxable Revenues	<u>1,093,830.15</u>	<u>1,093,830.15</u>
Franchise Rate	2%	4%
Franchise Amount	21,876.60	43,753.21
.07/mcf Transported		<u>23.52</u>
Total Franchise	<u>21,876.60</u>	<u>43,776.73</u>
	<u>21,876.60</u>	
Actual Payment January 2012	<u>21,876.60</u>	

4. ACTION OPTIONS/RECOMMENDATION

Staff is recommending the second and final reading of the ordinance.

Furthermore, in accordance with the City Charter, Section 8.03 *Franchises* requires any granting , renewing or extending franchises shall not take effect until at least thirty (30) days after its passage; and during such thirty (30) day period the descriptive caption of the ordinance shall be published at least twice in the official newspaper(s) of the City, the expense of the publication being borne by the proponents of the franchise.

5. ENCLOSURES

- A. Proposed Franchise Agreement Ordinance.
- B. Standard Procedure Letter