

Legislation Text

File #: 17-3126, **Version:** 1

An ordinance, on second reading, granting to Atmos Energy Corporation, Mid-Tex Division, a Texas and Virginia Corporation, its successors and assigns, a franchise to furnish, transport and supply natural gas to the general public in the City of Mesquite, Dallas County, Texas, to construct, maintain and operate pipelines and equipment for the transportation, delivery, sale and distribution of natural gas in, out of and through said City for all purposes, and providing for the payment of a fee or charge for the use of the public rights-of-ways.

Atmos and its predecessors, TXU and Lone Star Gas, have operated under a franchise to provide natural gas service within the City of Mesquite since 1967, and have used the public rights-of-way for that purpose. The streets, right-of-way and public easements used by natural gas companies within the boundaries of the City are valuable public properties acquired and maintained by the City; therefore, in consideration for the privilege and license granted by the City to Atmos to occupy and use the City's rights-of-way, Atmos pays the City a franchise fee equivalent to five percent of the Company's total reported gross revenues. Atmos' gross revenues come from the sale of natural gas to residential, commercial, industrial and transportation customers located within the City of Mesquite.

The current franchise with Atmos Energy will expire on December 31, 2017, and during the past eight months, City staff has been working with outside counsel at Lloyd Gosselink Rochelle & Townsend, P.C., who specialize in utility issues and municipal law and represents cities in gas rate proceedings at the Railroad Commission of Texas, to develop a new franchise agreement. The City has successfully renegotiated the terms and conditions of the franchise for a 20-year period, beginning January 1, 2018, and ending December 31, 2037. The term of the franchise will automatically extend for up to two additional five-year terms unless either party wishes to renegotiate the terms and conditions of the franchise. Atmos will continue to pay the City a five percent franchise fee on a quarterly basis during the entire term of the franchise agreement.

Attached is the proposed franchise ordinance and redline version of the existing franchise for comparison. Staff believes this franchise provides the citizens and businesses of Mesquite with a reliable and efficient source of natural gas while protecting the City's police powers and ability to manage its public rights-of-way.

Staff recommends approval of the ordinance.

Proposed Franchise Ordinance
Redline Version of Current Franchise Ordinance

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