



Legislation Text

File #: 23-0411, **Version:** 1

Consider and take action on Ordinance 2023-24 granting a limited franchise to Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.) to operate and maintain a gas distribution system for the transportation, distribution and/or sale of gas to customers in League City through the use of public rights-of-way - Third Reading (Mayor Nick Long)

City Council approved the first reading, 5-3-0 on August 8, 2023.

City Council approved the second reading, 7-1-0 on August 22, 2023.

Approval of this agenda item will authorize the third of three required readings of an ordinance granting a limited gas franchise to Universal Natural Gas, LLC to operate and maintain a gas distribution system for the transportation, distribution and/or sale of gas to customers in League City through the use of public rights-of-way. Per Article IX of the League City Charter, any ordinance granting a public utility franchise must have 3 readings before the City Council.

Franchise fees are the rental costs paid by utilities that use the city's rights-of-way or other city property to transmit their services. Rights of way, just like other land interests, are valuable to a city and cannot be given away to private companies free of charge as required under Article III, Section 52 of the Texas Constitution.

Universal Natural Gas, LLC., (UNIGAS) is a regulated natural gas distribution entity on file with the Texas Railroad Commission. UNIGAS has been around since 1993 and operates all over the State of Texas primarily in areas outside of Houston, DFW, San Antonio, and Austin. Their goal is to provide safe, reliable, and economical natural gas services to residential and commercial customers (unigas-tx.com). This proposed franchise seeks to serve the new Westland Ranch and Samara developments and potentially grow their services within League City as new developments are constructed.

UNIGAS proposes to pay League City a franchise fee of 5% of its gross receipts. The fee is based off of gross receipts or gross revenue generated from UNIGAS, which more accurately reflects the value of the use of the right of way to the utility occupying it. The gross receipts methodology was codified by federal law for cable television providers, and by state law for gas, electric, and water utilities. The initial term of this proposed franchise is 10 years with three automatic 5-year renewals.

At the Council meeting on July 11, 2023, the City Council previously considered but did not approve a franchise ordinance with UNIGAS. Since then, UNIGAS has committed to offering the lowest of three possible price rates: 1) UNIGAS's rate that has been approved by the Public Utility Commission (PUC), 2) a rate equal to the CenterPoint Energy rate in League City or 3) a rate equal to or less than the lowest UNIGAS rate in Texas. The lowest of the three possible rates is currently the CenterPoint Energy in League City.

In addition to gas services, UNIGAS has a sister entity called Centric Fiber that provides internet services. There is a companion agenda item on this agenda for consideration of a license agreement that allows Centric Fiber to use the City's Rights-of-Way for installation of its internet fiber lines.

Attachments:

1. Data Sheet
2. Ordinance 2023-24
3. Aerial Maps (Westland Ranch and Samara developments)

FUNDING

{X} Revenue received will be posted in General Fund Natural Gas Franchise Fee revenue account 0100-40430

STRATEGIC PLANNING

{x} NOT APPLICABLE