Austin

MEMORANDUM

To: Mayor and City Council

Through: Ed Van Eenoo, Chief Financial Officer

From: Marija Norton, CPA, Controller, Austin Financial Services

Date: July 22, 2026

Subject: **Summary of Changes to Texas Gas Service Franchise Agreement Proposed for Third Reading, Item 10 on the July 23 City Council Agenda**

The purpose of this memorandum is to provide a summary of the key changes in the proposed Texas Gas Service (TGS) franchise agreement between the approved, May 28, 2026 ordinance and the draft ordinance recommended by staff for third reading as Item 10 on the July 23, 2026 City Council Meeting Agenda. This memorandum also highlights the significant outcomes achieved through the franchise agreement negotiations.

The current franchise agreement expires on October 16, 2026 and pursuant to the City Charter, adoption of this franchise agreement requires three separate readings of the ordinance at the City Council meeting, with the first and the third reading at least 30 days apart. In addition, the effective date of the final agreement is 60 days from approval of the ordinance third reading.

Summary of Changes Since Second Reading

- **Work by the City and Others (Section 6.1)** – The revised ordinance clarifies the City's obligations when performing excavation work and defines the circumstances under which the City may be liable for damage to TGS facilities.

Overall Summary of Negotiated Provisions

The following negotiated provisions are included in the draft agreement proposed for third reading, and reflect the collaborative efforts and thoughtful input received from City Council, partner departments, and the Resource Management Commission:

- **Transparency and Customer Protections**
  - Public meetings required for all base rate and Gas Reliability Infrastructure Program increases.
  - Mandatory annual appearances by TGS before the Resource Management Commission.
  - Right for the City to raise its franchise fee if TGS grants another city a higher percentage.

- Enhanced definitions of Gross Revenues aligned with current Texas franchise standards.

- **Equity and Consumer Support**
  - Creation of a low-income assistance program to be implemented no later than January 1, 2029.
- **Infrastructure and Operational Requirements**
  - Annual Capital Improvement Plan submitted to Austin Financial Services beginning in December 2026.
  - Updated right-of-way (ROW) terms requiring ADA-compliant restorations, proper marking of pavement cuts, permit controls, and alignment with City Standards Manuals.
- **Environmental and Safety Commitments**
  - Requirement to procure responsibly sourced gas when available and financially feasible.
  - Filing of an Annual Leak Detection and Repair report including:
    - Survey frequency
    - Mitigation strategies
    - Emergency response times
    - Average repair timelines
    - Methane emissions data at the City level when technically feasible
- **Financial Safeguards**
  - Continued 5% franchise fee with upward-adjustment option.
  - Explicit prohibition on recovering developer incentives from ratepayers, consistent with recent state-level settlements.
  - Revised purchase option terms allowing the City to initiate a purchase evaluation at any time during the franchise term.

Staff Recommendation
Staff recommends City Council adoption of the draft ordinance on third reading.

Should you have any questions or concerns, please contact Marija Norton, Controller, Austin Financial Services at marija.norton@austintexas.gov or (512) 974-2951.

cc: T.C. Broadnax, City Manager
Erika Brady, City Clerk
Jason Hadavi, City Auditor
Mary Jane Grubb, Municipal Court Clerk
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Department Directors