



City of Austin

Recommendation for Action

File #: 26-2038, **Agenda Item #:** 10.

7/23/2026

Posting Language

Approve third reading of an ordinance granting a non-exclusive franchise and right to enter public rights-of way and public easements for a period of ten years to Texas Gas Service Company, a division of ONE Gas, Inc., to provide natural gas distribution services, and repealing Ordinance No. 20061005-023. Funding: \$10,832,000 in estimated revenue is anticipated under this franchise agreement.

Lead Department

Austin Financial Services

Fiscal Note

An increase of \$10,832,000 in estimated revenue is anticipated under this franchise agreement.

Prior Council Action:

May 7, 2026 - City Council approved first reading of the ordinance.

May 28, 2026 - City Council approved second reading of the ordinance.

For More Information:

Marija Norton, Controller, 512-974-2951; Kim Euresti, Deputy Controller, 512-974-2232.

Council Committee, Boards and Commission Action:

January 20, 2026 - The Resource Management Commission discussed, voted on, and approved policy recommendations for City Council consideration regarding the new Texas Gas Service franchise agreement.

April 29, 2026 - The Resource Management Commission discussed, voted on, and approved recommendations for City Council consideration regarding the first draft ordinance of the Texas Gas Service franchise agreement.

Additional Backup Information:

Texas Gas Service Company, a division of One Gas, Inc., (TGS), is the primary provider of natural gas service in the City of Austin. The current franchise agreement will expire on October 16, 2026. Pursuant to City Charter, adoption of this franchise agreement requires three separate readings of the ordinance at Council, with the first and the third reading at least 30 days apart. In addition, the effective date of the final agreement is sixty days from approval of the ordinance of third reading.

A summary of key terms in this non-exclusive franchise agreement are as follows:

- Definition of "Gross Revenues" is updated to streamline meanings and make the term consistent with gas franchise conventions across Texas.
- Term of the agreement- The proposed agreement provides for a 10-year term with no automatic renewal. The existing agreement has been in effect for a total of 20 years, consisting of a 10-year base term and an automatic second 10-year term.
- Low-Income Assistance Program- TGS will work with the City to implement a monthly assistance

program for income-qualified customers in the City by January 1, 2029. This will be pursuant to a tariff approved by the City and the assistance will be funded through a monthly charge on non-qualifying customer bills. City Staff and TGS are currently working on a specific program proposal to present to Council.

- Franchise Fee- The proposed agreement will require TGS to continue paying a five percent franchise fee to the City on a quarterly basis. If TGS agrees to a new franchise with a different city that would result in a greater franchise percentage, the City can elect to increase its franchise fee to the higher percentage.
- Continued TGS Appearance Before Resource Management Commission- Under the proposed agreement, TGS will be required to attend at least two Resource Management Commission meetings each calendar year.
- Public Transparency Regarding Rate Increases- The proposed agreement will require TGS to organize and host at least two public meetings with customers within 45 days of the filing of a base rate increase or an Interim Rate Adjustment (known as GRIP).
- Right-of-Way Management and Permitting Concerns - Based on coordination with Transportation and Public Works, this section is updated in the proposed agreement to include express incorporation of City's Right-of-Way Management, the City's Standards Manual, and the City's Standard Specifications Manual.
- Right-of-Way and Public Easement Updates- The proposed agreement updates several provisions governing TGS activities in the City's most environmentally sensitive areas. These changes align the franchise with current regulatory requirements and ensure that all work performed in City right of way and public easements meets applicable environmental and permitting standards.
- Responsibly Sourced Gas Requirement- The proposed agreement requires TGS to purchase responsibly sourced gas when such supply is available and economically feasible.
- Annual Report on Leak Detection and Repair- Under the proposed agreement, TGS will be required to submit an annual report to the City regarding its Leak Detection and Repair (LDAR) practices within the City. This submission will begin in December 2026.
- Purchase Option- The City will retain its purchase option contemplated in the current agreement; however, the option will be available to the City at any time during the term of the agreement. The terms regarding the appraisal process have been modified for clarity.
- Developer Incentives- The proposed agreement includes language to ensure TGS follows terms to prohibit TGS from recovering Developer Incentives from ratepayers and from including Developer Incentives in any conservation program adopted by the Railroad Commission.
- Annual Capital Improvement Report - Starting in December 2026, TGS will submit an annual report on expected capital improvements for the upcoming year to Austin Financial Services. This is a new term not currently required in the existing agreement.