



Recommendation for Action

File #: 20-3096, **Agenda Item #:** 29.

10/1/2020

Posting Language

Approve second reading of an ordinance granting a ten-year renewal of the franchise to Pedernales Electric Cooperative for use of City rights-of-way necessary to provide electric utility services to customers in PEC's certificated service area within Austin.

Lead Department

Telecommunications and Regulatory Affairs.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

Original Franchise Ordinance No. 2008-1016-031; Council approved first reading of renewal Franchise Ordinance on September 3, 2020.

For More Information:

Rondella M. Hawkins, TARA Officer, 512-974-2422.

Additional Backup Information:

Pedernales Electric Cooperative, Inc. (PEC) is a rural electric cooperative that provides electric utility service in the Central Texas area. PEC serves approximately 20,000 customers in the City of Austin. The City annexed into the area in which PEC is authorized by the Public Utility Commission of Texas to provide service. PEC's current franchise expires on October 27, 2020.

Key terms of the non-exclusive franchise agreement are as follows:

- Term: Renewal of 10 years for a total of 22 years.
- Compensation: PEC pays Austin 4.5% of gross revenues due to a "most favored nations" provision in its franchise requiring PEC to pay Austin an amount above the 2% base that matches the highest fee PEC pays to any other municipality. PEC passes 100% of the franchise fees to their customers as they are allowed by state law.
- A "right to purchase" provision that is required by City Charter. The provision grants the City authority to purchase PEC property in the City at 1.5x appraisal value, within the last 5 years of the franchise term;

Standard Terms including:

- Abide by City's current street-cut and other regulations;
- City granted right to audit;
- Indemnification for the City;
- Requirement to relocate facilities at PEC's expense to accommodate City road construction or other improvements.

The City Charter requires three separate readings of a Franchise Ordinance with 30 days between first and final readings. Staff recommends approval of the second reading of this Ordinance.

Strategic Outcome(s):

Government that Works for All.

