



City of San Antonio

Agenda Memorandum

File Number:20-4261

Agenda Item Number: 23.

Agenda Date: 8/13/2020

In Control: City Council A Session

DEPARTMENT:

Finance

DEPARTMENT HEAD:

Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED:

District 3

SUBJECT:

Enertex License Agreement

SUMMARY:

Enertex NB, LLC ("Enertex") has requested a non-exclusive license agreement for the use of City right-of-way for the installation and operation of facilities to transport natural gas.

BACKGROUND INFORMATION:

Enertex is a natural gas distribution utility regulated by the Railroad Commission of Texas. It provides services to residential and commercial locations in Comal County, Texas. Enertex is an affiliate of Texas Gas Utilities and its offices are in Magnolia, Texas. Under state law natural gas distribution companies, such as Enertex, have the right to access City right-of-way subject to consent from the City and agreement to abide with City regulations.

Over the past several months City staff has worked with representatives of Enertex to negotiate a license agreement that will allow Enertex to install and operate facilities to transport natural gas through a small

section of right-of-way within the City limits to serve retail customers in a new neighborhood just outside the City limits near I-37 off Southton Road. The natural gas line will be using approximately 4,650 feet of right-of-way inside the City limits. Compensation paid to the City will be based on the linear feet of right-of-way used. The initial term of the license agreement is for ten (10) years, with an option for three five-year renewals.

ISSUE:

Enertex has requested a non-exclusive license agreement for the use of City right-of-way to provide natural gas service to retail customers outside the City limits. Enertex has agreed to comply with the City's right-of-way requirements.

ALTERNATIVES:

If the City does not consent to Enertex's request, the company will have to reroute the pipeline outside municipal boundaries. Under state law natural gas distribution companies, such as Enertex, have the right to access City right-of-way as long as they have consent from the City.

FISCAL IMPACT:

Enertex will pay the City a one-time administrative fee of \$3,500.00 for processing the agreement. Additionally, on an annual basis Enertex will pay to the City the sum of \$1.51 per linear foot for the right-of-way being utilized. The City will receive \$7,022 in compensation the first year of the agreement and a 4% escalation factor will be applied in each subsequent year. The total revenue generated by this ordinance in the first year will be \$10,522.00, which will be deposited into the General Fund in accordance with the FY 2020 Adopted Budget. This payment methodology is consistent with other previously approved linear foot license agreements within the City.

RECOMMENDATION:

Staff recommends approval of the proposed license agreement with Enertex.