



City of San Antonio

Agenda Memorandum

File Number:20-6889

Agenda Item Number: 16.

Agenda Date: 1/21/2021

In Control: City Council A Session

DEPARTMENT:

Finance

DEPARTMENT HEAD:

Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED:

District 4

SUBJECT:

West Texas Gas Inc. License Agreement

SUMMARY:

West Texas Gas Inc., (WTG) has requested a non-exclusive license agreement for the use of City right-of-way for the installation and operation of facilities to sell and transport natural gas.

BACKGROUND INFORMATION:

WTG is a natural gas distribution utility regulated by the Railroad Commission (RRC) of Texas. WTG owns and operates 5,797 miles of natural gas distribution mainlines and provides natural gas service to 28,670 customers in Oklahoma and Texas. WTG also provides natural gas gathering and natural gas liquids transmission services. The company has its headquarters in Midland, Texas.

Under state law natural gas distribution companies, such as WTG, have the right to access City right-of-way, subject to consent from the City and an agreement to abide with City regulations. City consent takes the form

of a licensing agreement with reasonable compensation to the City for use of the right-of-way. Grey Forest Utilities is an example of a previously negotiated licensing agreement where compensation was set at 3% of gross revenues.

WTG has provided service to communities south and west of San Antonio since 1999. In 2019 representatives of WTG contacted the City and notified City staff that as a result of annexation, WTG now had facilities located within the City limits in the southwest and west side of San Antonio. WTG also informed staff that they were providing service to two schools south of Loop 410 and east of Somerset road. City staff notified WTG that they would need to obtain a non-exclusive license agreement for the use of City rights-of-way and pay compensation to the City.

Key terms of the agreement are (a) The term of the license agreement is for twenty-five (25) years, (b) WTG must pay the City 3% of gross revenues from sales in the licensed area, (c), Licensee must carry all standard insurance as required by Risk Management, (d) Licensee must relocate its facilities for public improvement projects, (e) Licensee agreed to comply with the City's right-of-way requirements, and (f) the license covers operations in two areas, one on the west side and one on the southwest side.

City staff has communicated with CPS Energy about the development of the proposed license agreement. CPS Energy expressed no concerns with the proposed license.

ISSUE:

WTG has requested a non-exclusive license agreement for the use of City right-of-way to provide natural gas service to retail (residential and commercial) customers in the City limits. WTG has agreed to comply with the City's right-of-way requirements.

ALTERNATIVES:

If the City does not consent to WTG's request, the company may not be able to provide natural gas service to citizens that need the service and are not being served by Grey Forest Utilities or CPS Energy. Under state law natural gas distribution companies, such as WTG, have the right to access City right-of-way as long as they have consent from the City.

FISCAL IMPACT:

WTG will pay the City 3% of gross revenue from residential and commercial sales within the licenses area. Currently the only customers in the proposed licensed are two schools. The revenue from the two schools currently being provided natural gas service is exempt from the 3% payment to the City as per state law. This payment methodology is consistent with the other previously approved license agreement with Grey Forest Utilities. Revenue from WTG will be General Fund revenue from future development in the license area. Any revenue generated in the next several years will be minimal.

RECOMMENDATION:

Staff recommends approval of the proposed license agreement with WTG.