




MEMORANDUM

September 17, 2013

To: Board of Mayor and Aldermen

From: Eric Stuckey, City Administrator 
Russell Truell, Assistant City Administrator - Finance

Subject: Atmos Energy Franchise Agreement

Purpose

The purpose of this memorandum is to provide information to the Board of Mayor and Aldermen (BOMA) for consideration of Ordinance 2013-50 granting Atmos Energy a franchise agreement.

Background:

The City of Franklin has had a franchise agreement with Atmos Energy or its predecessor for many years. The current agreement expires at the end of November, 2013. The City is allowed to impose a franchise fee for use of City right of way. In the current agreement, a fee is based on a charge per hundred cubic feet of gas delivered to residential and commercial customers, and is added to customer bills.

The proposed Ordinance is essentially a continuation of the current agreement at existing rates. Unlike the current Ordinance, there is no provision for rate increases in the proposed Ordinance. The term of the agreement is for five years.

If approved by the Board, the agreement is still subject to final approval from the Tennessee Regulatory Authority.

Financial Impact:

The City currently collects approximately \$1 million per year under the existing rates. The exact amount fluctuates with the volume of natural gas delivered to customers by Atmos.

Recommendation:

Staff recommends Board approval of the Ordinance, subject to final approval of the form of the franchise agreement by the City Administrator and the City Attorney.

ORDINANCE 2013-50

AN ORDINANCE GRANTING TO ATMOS ENERGY CORPORATION, ITS SUCCESSORS AND ASSIGNS, A FRANCHISE TO PROVIDE THE CITY OF FRANKLIN, WILLIAMSON COUNTY, TENNESSEE, WITH NATURAL GAS SERVICE, AND THE RIGHT TO CONSTRUCT, MAINTAIN, AND OPERATE A SYSTEM OF GAS MAINS AND SERVICE PIPES FOR THE PURPOSE OF TRANSMITTING AND DISTRIBUTING GAS IN, UPON, ACROSS, ALONG AND UNDER THE HIGHWAYS, STREETS, AVENUES, ROADS, ALLEYS, LANES, WAYS, PUBLIC UTILITY EASEMENTS, PARKWAYS AND OTHER PUBLIC GROUNDS OF THE CITY OF FRANKLIN, WILLIAMSON COUNTY, TENNESSEE.

BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, WILLIAMSON COUNTY, TENNESSEE:

SECTION 1. This Ordinance shall be known and may be cited as the “Atmos Energy Corporation Franchise Ordinance.”

SECTION 2. Definitions. For the purposes of this Ordinance, the following terms, phrases, words, and their derivations shall have the meanings given herein. When not inconsistent with the context, words, using the present tense include the future tense, words in the plural number include the singular number, and words in the singular number include the plural number. The word “shall” is always mandatory and not merely directory.

(1) Atmos Energy Corporation is the “Grantee” of the rights under this franchise, a corporation organized and existing under the laws of the State of Texas, and the Commonwealth of Virginia, doing business within the State of Tennessee, with its local principal place of business located at 810 Crescent Centre Dr., Suite 600, Franklin, Tennessee 37067 and may otherwise be referred to as the “Company”.

(2) “City” is the City of Franklin, Tennessee, a municipal corporation and is the

“Grantor”.

- (3) “CCF” or “ccf” is the volumetric measurement of 100 cubic feet of gas.
- (4) “Day” or “Days” shall mean a calendar day or days.
- (5) “Effective Date” shall mean the passage on second and final reading of this new Ordinance by the Board of Mayor and Aldermen of the City; acceptance by the Company; and final approval by the Tennessee Regulatory Authority.
- (6) “Franchise” shall mean the non-exclusive authorization granted as provided in this Ordinance to occupy or use the public streets and/or rights-of-way within the City of Franklin for the construction, operation and maintenance of the natural gas System within all or a portion of the City.
- (7) “Person” is any person, firm, partnership, association, corporation, company or organization of any kind.
- (8) “Public Right-of-Way” shall mean real property; surface, subsurface and air rights; acquired by the City by any lawful means and includes the surface and that area below the surface which is necessary to support the public highway, street, avenue, road, lane, way, alley, path, bridge, tunnel, sidewalk, planting strip, median, or public ground. No reference herein or in any franchise for use of any public right-of-way shall be deemed to be a representation or guarantee by the City that its title to any public right-of-way or any improvement or object located therein is sufficient to permit or authorize its use by the Grantee. Notwithstanding the foregoing, the City reasonably believes that it has the authority to grant the rights hereunder to the Grantee to use and occupy, subject to the conditions herein provided,

such Public Right-of-Way.

- (9) “Public Utility Easement” shall mean easements conveyed, granted or dedicated to the City or public dedicated or devoted to utility purposes not exclusive in nature for a particular utility, such as water, sanitary sewer, drainage, electrical, etc. Public Utility Easements are typically designated as Public Utility and Drainage Easement (PU&DE) on recorded plats.
- (10) “Quarterly or Quarter” shall mean every three (3) months, based on the calendar year. For purposes of this Ordinance, the quarters shall end in March, June, September and December.
- (11) “Sales Volumes” shall mean volumes of natural gas sold within the City’s corporate limits by the Grantee pursuant to an effective tariff rate schedule for sales service on file with and approved by the Tennessee Regulatory Authority from time to time.
- (12) “System” shall mean Grantee’s network of gas mains, service pipes, regulator stations, and other appliances, fixtures, equipment, and facilities as may be necessary for the transmission, distribution and sale of natural gas and its by-products.
- (13) “Transport Volumes” shall mean volumes of natural gas delivered within the City’s corporate limits by the Company pursuant to the Company’s tariff Rate Schedule 260 (or successor rate schedule) on file with and approved by the Tennessee Regulatory Authority from time to time.

SECTION 3. Franchise. There is hereby granted by the City of Franklin, Tennessee, to Atmos Energy Corporation, its successors and assigns the non-exclusive right, authority, privilege

and franchise to erect, construct, operate and maintain a natural gas System in, upon, under, along, across and over the highways, streets, avenues, roads, alleys, lanes, ways, Public Utility Easements, parkways and other public grounds in the present or future corporate limits of the City, for the transmission, distribution, and/or sale of gas and its by-products within said City and to the inhabitants, institutions and businesses thereof, and for such purposes to construct, maintain, operate, renew, replace, repair, and extend its System as may be necessary for said purposes, to-wit, the transmission, distribution and/or sale of such natural gas to said City and the inhabitants thereof for domestic, commercial, industrial and institutional uses, and other purposes for which it is or may hereafter be used.

SECTION 4. Term. This Franchise and the rights herein granted shall take effect and be enforced from and after the Effective Date hereof, and shall continue in force for five (5) years from and after the Effective Date. Provided, that if the acceptance by Grantee is not filed within sixty (60) days after final passage of this Ordinance, the provisions of this Franchise shall be null and void.

SECTION 5. Construction Standards. The natural gas System laid, constructed, maintained and operated by virtue of this Franchise, shall be so laid, constructed, maintained and operated in accordance with all applicable engineering codes adopted or approved by the natural gas distribution industry and/or engineering profession and in accordance with any applicable Statutes of the State of Tennessee, Rules and Regulations of the Tennessee Regulatory Authority, Ordinances of the City of Franklin or of any other governmental regulatory commission, board or agency having jurisdiction over the Company. Said facilities shall be constructed as not to interfere with the drainage of said City or unreasonably interfere with or injure any street, sewer, water main or any other public improvement which said City has heretofore made or may hereafter make in,

upon, along or under any highway, street, avenue, road, alley, lane, way, Public Utility Easement, parkway, or other public ground, or unnecessarily impede or obstruct such highways, streets, avenues, roads, alleys, lanes, ways, Public Utility Easements, parkways and other public grounds of said City, and shall conform to the grade as then or hereafter established. The Company agrees to attempt to utilize known Public Right-of-Way whenever practical before resorting to right of condemnation to which the Company may be entitled to utilize by law.

SECTION 6. Construction Safety. When the highways, streets, avenues, alleys, road, lanes, ways, Public Utility Easements, parkways or other public grounds are opened, or any other opening is made by the Company within the City, whether the same be made for the purpose of laying, constructing, replacing or repairing the mains, pipes and other appliances and fixtures of the Company, the Company shall place and maintain necessary safety devices, barriers, lights and warnings to properly notify persons of any dangers resulting from such entrances, and shall comply with applicable safety regulations required by federal, state and local laws.

SECTION 7. Relocation. In the event it becomes necessary or expedient for the City to change the course or grade of any highway, street, avenue, road, alley, way, public utility, parkway, or other public ground in which the Company is maintaining its natural gas System, then, upon the written request of the City, the Company shall within one hundred twenty (120) days, or such longer period of time that Company may reasonably require, remove or change the location or depth of such mains, pipes or other appliances and fixtures, as necessary to conform to the proposed alteration. Notice to the Company will include detailed project plans and proposed project schedule. Relocation must be substantially complete prior to the City issuance of a Notice to Proceed to its general contractor for the project necessitating the relocation, unless in the opinion of the City Engineer the project coordination prohibits same. The Company's failure to comply

with these provisions may be considered a breach of the Franchise and cause for revocation.

SECTION 8. Construction Permit. Whenever the Company wishes to enter upon any Public Right-of-Way or Public Utility Easement for the purpose of constructing, replacing or repairing any portion of its System, it will, notify the City, file a plan or map of the proposed work and obtain a permit as required before commencing same. Whenever any Public Right-of-Way or other Public Utility Easement shall be entered, dug up or disturbed by the Company, the Company shall, at its expense and as soon as possible after the work is completed, restore such Public Right-of-Way or other Public Utility Easement in as good condition as existed before the work was done and to the reasonable satisfaction of the City. In the event the Company shall fail to fulfill its obligations under this Section, the City, after giving the Company reasonable written notice, and failure of the Company to make such repairs or restoration, may make the necessary restoration or repairs itself and the Company shall be liable for the cost of same.

The provisions of this Section shall not be applied or interpreted in such a way as to prevent or delay Company work that may be required as a result of any emergency, leak or other immediate hazard or danger. Likewise, the provisions of this Section anticipate that the Company shall not be unreasonably denied permission to perform necessary work.

SECTION 9. Map of System. Grantee shall make available to the City system maps on a project by project basis as required by the City. An annual construction work plan for the City shall be filed with the City Engineer upon annual approval of such plan by the Company, which plan shall include major additions to the System such as extensions of the gas mains, feeder lines, additions of regulator stations and/or similar projects. Company shall file a complete new “as built” System map with the City Engineer, updated upon the request of the City, within a reasonable time of such request, but no less frequently than every twelve (12) months showing the location of the

Company's System within the City. Except as provided herein, this section shall not be construed nor is it intended to require the approval of the City of the Company's construction and projects for services within the City.

SECTION 10. Utility Easements. Nothing contained herein shall be construed as preventing the Company from installing, placing, replacing, taking up, repairing, maintaining, or removing gas pipes, mains, service pipes or other devices for furnishing gas services, from using any Public Utility Easements for gas service which are shown on any plats of any portion of the City hereto or hereafter platted or recorded, or any such Public Utility Easement which may hereafter be created, granted or dedicated for any such utility purpose by any person, firm or corporation whatsoever.

SECTION 11. Liability. The Company shall at all times indemnify and hold harmless the City from and against any and all lawful claims for injury to any person or property by reason of the Company or its employees' failure to exercise due care and diligence in and about the installing and maintenance of said System, guarding trenches and excavation while said System is being installed or subsequent extensions, repairs or alterations are being made or generally in the operation and maintenance of said System, provided the Company shall have been notified in writing of any claim against the City on account thereof, and shall have been afforded the opportunity fully to defend the same.

The Company shall comply with all applicable provisions of the workmen's compensation laws of the State of Tennessee and the federal government and Tennessee Employment Security laws (including unemployment compensation), and with all state and federal laws regulating the operation and maintenance of business enterprises and the employment of personnel.

SECTION 12. Rules and Regulations. The City and the Company hereby agree that this

Ordinance shall from time to time be subject to rules and regulations adopted by the Company and approved by the Tennessee Regulatory Authority or any other regulatory body having jurisdiction thereof during the term of this Ordinance, and shall also be subject to all Rules and Regulations adopted and approved by the Tennessee Regulatory Authority or any other regulatory body and that all such Rules and Regulations shall be and become a part of this Ordinance to the same extent and with the same effect as if said Rules and Regulations were herein set out in full provided that such rules and regulations shall not be in conflict with law or the rules and regulations from time to time made by the State of Tennessee or the City. The Company shall not be obligated or required to make any extension of distribution mains or service lines except in accordance with the provisions relating thereto adopted or approved by the Tennessee Regulatory Authority, or any other regulatory body having jurisdiction thereof during the term this Ordinance.

SECTION 13. Franchise Fee. During each year of the term hereof, the Company shall pay to the City a franchise fee in an aggregate amount per CCF of Sales Volumes and Transport Volumes as follows:

<u>Sales Volumes per CCF Rate</u>	<u>Transport Volumes per CCF Rate</u>
\$0.060	\$0.0075

Exhibit A attached hereto indicates the annual projections. Said franchise fee shall be paid Quarterly with each payment due and payable within thirty (30) days from the end of the Quarter for which payment is due, so long as the Company shall supply and sell natural gas to the public within said City, or so long as this franchise is in effect. The aforementioned franchise fee provided by this Ordinance shall be treated and recovered as required by Tennessee Code Annotated, Section 65-4-105. The City shall have access at all reasonable times to the appropriate books of the Company for the purposed of ascertaining the amount due to the City under this

Section. The Company shall furnish to the City an annual report showing the Sales Volumes and Transport Volumes within the City.

SECTION 14. Local Office Compliant Procedures. The parties agree that a local presence is important and aids the parties in communication. As of the date of this Agreement, the Company has a local office located at 200 Noah Drive, Franklin, Tennessee 37064 with a local telephone number of 615-794-2596. Should the Company choose to relocate its local office it shall give the City ninety (90) days notice of its intent to relocate and shall furnish the City with a local phone number prior to leaving its current office. Any complaints from subscribers may be made orally or in writing and shall be investigated and acted upon as soon as possible, but at least within three (3) business days of their receipt. The Company shall keep a log of complaints and actions taken concerning each complaint. This log shall be available for periodic inspection by the City.

SECTION 15. Sale or Transfer. No sale or transfer of the System, or the transfer of any rights under this Franchise shall be effective until the assignee or lessee has filed in the Office of the City Recorder for the City of Franklin an instrument, duly executed, reciting the fact of such sale, assignment or lease, assignment or lease, accepting the terms of this Franchise, and agreeing to perform all the conditions thereof. A merger, consolidation or reorganization involving Grantee shall not constitute a sale or transfer for purposes of this Section. Furthermore, nothing in this Section shall be deemed to prohibit a mortgage or pledge of the franchise or of its properties for financing purposes.

SECTION 16. Breach of Franchise; Remedies; Sundry Provisions. The Company shall comply with the following: Title VII of the Civil Rights Act of 1964, The Equal Pay Act of 1963, The Age Discrimination in Employment Act of 1967, Tile I and Title V of the Americans with

Disabilities Act of 1990, Section 501 and 505 of the Rehabilitation Act of 1973, and The Civil Rights Act of 1991. In the event of a substantial breach by Grantee of any material provision of this Franchise, the City may terminate the Franchise and rights granted to Grantee hereunder, provided, however, that such termination shall not be effective unless and until the procedures described below have been followed:

(A) The City must deliver to Grantee, by certified or registered mail, a written notice signed by the Mayor, attested by the Secretary, and sealed with the official seal of the City. Such notice must (i) fairly and fully set forth in detail each of the alleged acts or omissions of Grantee that the City contends constitutes a substantial breach of any material provision hereof, (ii) designate which of the terms and conditions hereof the City contends Grantee breached, and (iii) specify the date, time, and place at which a public hearing will be held by the governing body of the City for the purpose of determining whether the allegations contained in the notice did in fact occur, provided, however, that the date of such hearing may not be less than thirty (30) days after the date of such notice.

(B) Within ten (10) days following the adjournment of the public hearing described in Subsection (A) above, the City must deliver to Grantee, by certified or registered mail, a written notice signed by the Mayor, attested by the Secretary, and sealed with the official seal of the City, setting forth (i) the acts and omissions of Grantee described in the first notice that the governing body of the City determines to have in fact occurred and (ii) the specific terms and conditions of this agreement listed in the first notice that the governing body of the City determines to have in fact been breached by such acts or omissions of Grantee.

(C) The City must permit Grantee the opportunity to substantially correct all of the breaches hereof set forth in the written notice described in Subsection (B) above within sixty (60)

days after Grantee's receipt of such notice.

SECTION 17. Force Majeure. Grantee shall not be required to perform any covenant or obligation in this Ordinance, or be liable in damages to the City, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God, force majeure or by the other party. An "act of God" or "force majeure" is defined for purposes of this Ordinance as strikes, lockouts, sit-downs, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, terrorism, insurrections, and/or any other cause not reasonably within the control of Company or which by the exercise of due diligence Company is unable wholly or in part, to prevent or overcome.

SECTION 18. Service to New Areas. If during the term of this franchise the boundaries of the City are expanded, the City will promptly notify Grantee in writing of any geographic areas annexed by the City during the term hereof ("Annexation Notice"). Any such Annexation Notice shall be sent to Grantee by certified mail, return receipt requested, and shall contain the effective date of the annexation, maps showing the annexed area and such other information as Grantee may reasonably require in ascertaining whether there exist any customers receiving natural gas service through Grantee's system in said annexed area. To the extent there are such Grantee customers therein, then the CCF of natural gas delivered to such customers by Grantee shall become subject to the franchise fee provisions hereof effective on the first day of Grantee's billing cycle immediately following Grantee's receipt of the Annexation Notice. The failure by the City to advise Grantee in writing through a proper Annexation Notice of any geographic areas which are annexed by the City shall relieve Grantee from any obligation to remit any franchise fees to City

based upon gas delivered to customers within the annexed area until City delivers an Annexation Notice to Grantee in accordance with the terms hereof.

SECTION 19. Severability. If any section or portion of any section, of this Ordinance shall hereafter be declared or determined by any court of competent jurisdiction to be invalid, the remaining provisions of this Ordinance shall remain in full force and effect.

SECTION 20. Acceptance. The Company shall, within sixty (60) days after the passage of this Ordinance, file with the City Recorder of the City of Franklin its unconditional acceptance of the terms and conditions of this Ordinance signed by its President or Vice President. Upon the Effective Date (as defined below in Section 22), this Ordinance shall constitute a contract between the parties thereto and shall, subject to the rights and powers vested in the Tennessee Regulatory Authority or such other regulatory body of the State of Tennessee as may hereafter succeed to the rights and powers of the Tennessee Regulatory Authority or as may exercise statutory jurisdiction of gas companies furnishing gas service in the State of Tennessee, be the measure of the rights, powers, obligations, privileges and liabilities of said City and of said Company.

SECTION 21. Successors and Assigns. All the privileges given and obligations created by this Ordinance shall be binding upon the successors and assigns of the Company.

SECTION 22. Effective Date and Interim Operation. This new Ordinance shall take effect and be in force upon the Effective Date. The Effective Date shall occur upon satisfaction of all of the following conditions: passage on second and final reading of this new Ordinance by the Board of Mayor and Aldermen of the City; acceptance by the Company; and final approval by the Tennessee Regulatory Authority.

Approved and Adopted by the Board of Mayor and Aldermen of the City of Franklin.
Tennessee, this _____ day of _____, 2013, the public welfare so requiring it.

ATTEST:
TENNESSEE

CITY OF FRANKLIN,

By: _____
Eric Stuckey
City Administrator

By: _____
Dr. Ken Moore
Mayor

Date: _____

Date: _____

Approved As To Form:

Shauna R. Billingsley
City Attorney

PASSED FIRST READING:

PUBLIC HEARING:

PASSED SECOND AND FINAL READING:

City of Franklin Gas Franchise Fees

Calendar YR	Status	Actual HDD	Actual FF Paid	\$	0.60	\$	0.075	Total Proj FF
2009	Actual	100%	\$960,423	\$	1,051,413	\$	30,793	\$ 1,082,207
2010	Actual	109%	\$1,126,328	\$	1,161,396	\$	40,575	\$ 1,201,971
2011	Actual	97%	\$1,075,232	\$	1,088,463	\$	43,071	\$ 1,131,533
2012	Actual	82%	\$925,068	\$	908,271	\$	49,768	\$ 958,040
2013	1/2 year	100%	\$805,469	\$	1,183,795	\$	36,612	\$ 1,220,407
2013	projected	100%		\$	1,134,969	\$	49,275	\$ 1,184,244
2014	projected	100%		\$	1,153,128	\$	49,275	\$ 1,202,403
2015	projected	100%		\$	1,171,578	\$	49,275	\$ 1,220,853
2016	projected	100%		\$	1,190,323	\$	49,275	\$ 1,239,598
2017	projected	100%		\$	1,209,368	\$	54,750	\$ 1,264,118
2018	projected	100%		\$	1,228,718	\$	54,750	\$ 1,283,468
2019	projected	100%		\$	1,248,378	\$	54,750	\$ 1,303,128
2020	projected	100%		\$	1,268,352	\$	54,750	\$ 1,323,102
2021	projected	100%		\$	1,288,646	\$	54,750	\$ 1,343,396
2022	projected	100%		\$	1,309,264	\$	60,225	\$ 1,369,489
2023	projected	100%		\$	1,330,212	\$	60,225	\$ 1,390,437

* avg growth rate of 1.6%