



## MEMORANDUM

**To:** Mayor and City Council

**From:** Kim Tiehen, Assistant Director of Finance

**VIA:** Jennifer Miller, Director of Finance

**Date:** April 28, 2020

**Reference:** Consider approval of an ordinance granting Texas-New Mexico Power Company the non-exclusive right, privilege, and franchise for a term not to exceed ten (10) years to erect, maintain, operate, and remove electric lines and pertinent facilities in, over, under, across, upon, and along the present and future public streets, alleys, and other public property within the City; and prescribing compensation for the rights, privileges, and franchise conferred hereunder, and authorizing the Mayor to sign.

**2030:** Sustainable City Government

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### Introduction:

Oncor, Coserv, and Texas New Mexico Power (TNMP) all have service areas within the City of Coppell borders. Oncor serves the majority of Coppell. Coserv and TNMP both serve small portions of Coppell located north of Highway 121. The portion served by TNMP is shown on the attached map. The City has franchise agreements with Oncor and Coserv but not with TNMP. The ordinance before you would establish a franchise agreement with TNMP.

### Analysis:

The following is a summary of the specific terms of this agreement:

- This franchise agreement will last for a period of ten years from date of passage.
- The City will allow TNMP the use of the City's public rights-of-way for the transmission and delivery of public utilities.
- The City will receive .003056 per kWh with payments received quarterly. It is important to note that Section 33.008 of the Public Utility Regulatory Act, Title II, Texas Utility Code (as Amended and effective September 1, 2019) outlines how the franchise rate is calculated.
- TNMP, in its next general rate case before the Texas Public Utility Commission, will seek, and the City will support, approval of rates that will provide for recovery in base rates of the franchise fee noted above. In that rate case, TNMP will also seek, and the City will not oppose, the additional recovery of franchise fee amounts provided above paid by TNMP to the City under this Franchise agreement between the effective date of this Franchise agreement and the effective date for implementing modified rates in that rate case. This allows

TNMP to establish rates that will cover the franchise fee it will begin to pay the City upon approval of this franchise agreement. This request was made by TNMP because it currently does not include the payment of a franchise fee to Coppell in the rate it charges Coppell customers since TNMP is not currently paying Coppell a franchise fee.

Approval of this ordinance will require TNMP, as already required by Oncor and Coserv, to remit a franchise fee to the City.

**Legal Review:**

Ordinance provided by Lloyd Gosselink Rochelle & Townsend, P.C. which is the law firm that represents the City in all gas and electric rate cases. The City Attorney reviewed this item as part of the agenda review.

**Fiscal Impact:**

There is no fiscal impact to expenditures regarding this item.

**Recommendation:**

The Finance Department recommends approval of the ordinance.