



MEMORANDUM

Council Agenda
Item No. IX.H.
3/12/2019

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Ordinance to be introduced and set for final hearing on April 23, 2019, amending and modifying Ordinance No. 24,140, providing for an amendment of the franchise granted by The City of Oklahoma City to Oklahoma Natural Gas Company, now a division of One Gas, Inc., to more specifically define the scope of the gross cash receipts from the sale, distribution and/or transportation of gas for domestic, commercial and industrial consumption within the City, to which the franchise fee is applied, defining the words and phrases therein; providing for the severability of provisions; requiring the approval of this ordinance by a majority vote of the qualified voters of the City at a special election before it shall become effective, with such election to later be called by the Mayor and Council for July 9, 2019; and providing for an acceptance of such amendment by Oklahoma Natural Gas Company, if approved by City voters, and an effective date thereof.

Background

In April 1985, City voters approved Ordinance 18,302 granting ONG a 25-year non-exclusive Franchise. This Franchise was to expire in 2010.

Shortly after implementation of the 1985 ONG Franchise, the Oklahoma Corporation Commission approved tariffs that partially unbundles natural gas sales and transportation in Oklahoma, allowing certain classes of natural gas customers to purchase gas from suppliers other than ONG and lease capacity in ONG's pipeline for gas delivery. This action created a situation where the City was not receiving franchise fees or other consideration on the gas purchased from third-party suppliers, but that nonetheless was being transported through ONG pipelines in the City rights-of-way. On March 24, 1987, an ONG proposal was accepted by City Council Resolution that required ONG to use its best efforts to collect and remit to the City supplemental fees equal to the applicable franchise fees and sales tax lost as a result of this program.

On October 11, 2005, City voters approved Ordinance 22,790 granting ONG a 5-year non-exclusive Franchise. This Franchise introduced a concept specifically designed to capture lost fees from the sale of third-party gas. It required customers purchasing third-party natural gas to obtain a license from the City allowing them to utilize ONG's pipeline to transport the third-party gas and to remit a Volumetric Rate Fee, equivalent to the Franchise Fee paid by customers receiving gas from ONG. The 5-year term was selected to allow time for the City and ONG to consider options for a more viable, long-term solution.

On August 24, 2010, City voters approved Ordinance 24,140 granting ONG a 25-year non-exclusive franchise.

ONG and the City staff have since negotiated terms to amend and more specifically define the scope of the gross cash receipts from the sale, distribution and/or transportation of gas for domestic, commercial and industrial consumption within the City to which the franchise fee is applied.

ONG and City staff recommend the Ordinance incorporating the amendments to the 2010 Franchise be submitted to an election of the qualified electors of the City.

The Ordinance will be set for a final hearing on April 23, 2019 at which time other related resolutions and the Mayor's Proclamation setting the election on the franchise amendment for July 9, 2019 will be presented for Council consideration.

Review

Municipal Counselor's Office

Recommendation: Ordinance be introduced and set for final hearing and appropriate notice be published.

Attachment