

UES GAS FRANCHISE

PREVIEW TO THE
AUGUST 4, 2020 ELECTION





UES GAS FRANCHISE



Unisource Energy Services (UES)

- UES is a public service corporation
 - Regulated by the Arizona Corporation Commission
 - Rates and safety
 - Provides natural gas to northern Arizona
- Representatives here tonight
 - Jason Garrett, District Manager



UES GAS FRANCHISE



What is a Franchise?

- A franchise gives a public service corporation the legal right to construct, install, and maintain its pipelines and facilities in City right-of-way (ROW) and public utility easements (PUEs).
- Unisource (gas) and APS (electricity) both have franchises.



UES GAS FRANCHISE



Current Franchise

- Approved by voters in Sept. 1995, for a 25-year term
- Expires October 2, 2020
- Allows use of ROW and PUEs for gas pipelines and facilities
- Requires payment of an annual fee equal to 2% of the gross receipts for gas sold in Flagstaff
 - 2% is typical
 - Also collects and remits local transaction privilege tax under utilities category



UES GAS FRANCHISE



Why do we need an Election?

- Arizona Constitution requires an election. Art. 13, Sec. 4
- UES's existing franchise is expiring in October 2020.
- UES will pay its fair share of election costs, per a cost sharing agreement.



UES GAS FRANCHISE



What happens if the Voters don't approve a Franchise?

- Most likely, the City would declare an emergency, and allow UES to continue operations until a new election is held.
- Natural gas service is essential for community.



UES GAS FRANCHISE



Engineering Information

- UES obtains permits to work in the ROW and PUEs, per City Code, cost is covered via franchise fee
- Must comply with all applicable codes
- UES has to blue-stake its lines, to avoid conflicts
- Safety record in Flagstaff
- Upgrade or expansion plans for Flagstaff



UES GAS FRANCHISE



New Franchise - Proposed

- 25-year term
- Grants use of ROW and PUEs for gas pipelines and facilities
- Requires payment of a franchise fee equal to 2% of the revenues from gas sold in Flagstaff
- Explains who pays for relocation costs for utilities in case of capital project conflicts (depends on project, prior rights)
- Calls for insurance, indemnification
- Franchise terms may be adjusted prior to April 7, 2020



UES GAS FRANCHISE



Next Steps – Any Questions?

- April 7 Council may adopt resolution finding that granting the franchise is beneficial, and submitting it to the voters for approval
- June-July Public outreach; publicity pamphlets; franchise published in newspaper for 30 days
- August 4 Special election
- By October Declare election results, execute franchise