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MEMORANDUM

TO: Robyn Claridy-Miga, Development Engineering Director, City of Pflugerville;
Pflugerville City Council

FROM: Roslyn Warner, Lloyd Gosselink Rochelle & Townsend, P.C. 

DATE: July 25, 2025

RE: Universal Natural Gas, Inc. Franchise Agreement

INTRODUCTION

Universal Natural Gas, Inc. ("Company" or "UniGas") is planning to provide gas service to at least one new development within the City of Pflugerville ("City"). In January 2025, UniGas submitted a proposed franchise agreement for the City's review. The purpose of implementing a franchise agreement is to set parameters for the Company's use of the Public Rights-of-Way in its provision of gas service within the City. In exchange for the use of the Public Rights-of-Way, the Company is required to pay the City a franchise fee.

The City retained outside counsel with Lloyd Gosselink Rochelle & Townsend, P.C., to review the agreement, recommend changes, and negotiate with the Company. The franchise agreement presented here is the draft recommended for adoption. This memo provides an overview of the key terms in the recommended agreement.

SUMMARY OF KEY TERMS

Term/Effective Date: The recommended agreement provides for a 10-year term with no automatic renewal. The Company's executed acceptance of the agreement as proposed to Council is included on page 12 of the recommended agreement. With that acceptance, the agreement becomes effective immediately upon final passage. *See* Sections 2.A., 14.

Franchise Fee: The Company will pay to the City Five Percent (5%) of its "Gross Receipts" twice a year. This payment is in lieu of any other fees, such as those to obtain a permit. The Company will also pay the City an annual franchise fee based on Contributions in Aid of Construction, or CIAC. *See* Section 11.

Defining "Gross Receipts": The term includes all revenues the Company receives from the sale of gas, the transportation of gas, and the Company's operations within the corporate limits of the City. "Gross Receipts" also includes CIAC, revenues billed but not collected, and miscellaneous service charges the Company collects pursuant to its approved tariff. "Gross Receipts" excludes revenues of the Company's affiliates, sales taxes, interest income, or money from the sale or lease of real or personal property. *See* Section 1.L.

Permitting/ROW Expectations: The recommended agreement explicitly requires compliance with the City's Right-of-Way Management Ordinance, as amended, including that the Company must obtain permits pursuant to the City's established procedures. The Company is specifically required to notify the City if its planned infrastructure will cross or otherwise interfere with existing facilities and obtain location instructions from the City. The Company's restoration of disturbed areas must be completed within the timeframe set by permit. If restoration cannot be completed within the required timeframe, the Company must request an extension from the City. *See* Section 4.

Relocation: The recommended agreement requires the Company to coordinate with the City on timelines for relocating facilities and abide by the City's requirements regarding such timelines. If the City is the designated facilitator of any federal, state, county, or local reimbursement programs under which the Company's removal or relocation costs are eligible, the City should provide reasonable notice to the Company of any corresponding deadlines and include such costs in a reimbursement application, if applicable. If the City requires the Company to relocate or change its system for a third party, the third party must reimburse the Company for any associated loss, cost, or expense. *See* Sections 7, 18.

Approval of Rate Tariff: The recommended agreement includes approval of UniGas' current tariff, included as Exhibit A. This is the tariff most recently approved by the Railroad Commission of Texas and is consistent with the rates the Company charges throughout its service territory. *See* Section 9.B.

Maintain Original Jurisdiction: The City maintains its exclusive original jurisdiction over the Company's rates, operations, and services.

Compliance with Agreement: If the Company fails to comply with the requirements of the agreement, the City is required to provide written notice identifying the failure. The Company must cure the failure within 45 days of receiving notice from the City. If the Company does not adequately cure, the City must give 20 days' written notice of intent to pursue additional remedies. *See* Section 12.C.

Other Provisions of Note:

- Requires 90 days' notice to the City in the event the Company transfers or assigns its rights under the franchise agreement. *See* Section 3.
- Insertion of a clause providing that if UniGas enters into a subsequent franchise agreement with another city that provides for a greater franchise fee percentage, then the City may elect to increase its franchise fee percentage accordingly. *See* Section 24.
- Includes a standard indemnification clause (*see* Section 8) and imposes an insurance minimum on the Company (*see* Section 23) with a clause to ensure the stated insurance requirement is in addition to any others stated under the City's Right-of-Way Management Ordinance.