

CITY OF COOS BAY CITY COUNCIL
Agenda Staff Report

MEETING DATE June 21, 2016	AGENDA ITEM NUMBER
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TO: Mayor Shoji and City Councilors
FROM: Susanne Baker, Finance Director
Through: Rodger Craddock, City Manager
ISSUE: NW Natural Gas Franchise

BACKGROUND:

The franchise agreement with NW Natural Gas contains a favored customer provision which requires NW Natural Gas to notify the City of Coos Bay if they agree to terms more favorable than the current franchise agreement with the City of Coos Bay. NW Natural Gas notified the City that they signed a new agreement with another entity, which included a franchise fee rate of 5.94%. This rate is .94% higher than the City of Coos Bay's franchise fee rate of 5%.

City staff has sent a letter advising NW Natural Gas the City is interested in renegotiating the franchise fee rate in an effort to retain the rights contained within the agreement which would have expired before the June 21st Council meeting. Staff is seeking direction from the City Council on whether the Council would like to have staff enter into formal negotiations to increase the franchise fee rate from 5% to 5.94%. The estimated increase in General Fund revenue could be up to \$10,000.

ADVANTAGES:

Entering into negotiations to increase the franchise fee rate would provide additional revenue.

DISADVANTAGES:

The NW Natural Gas rate payers would be subject to the franchise fee rate increase.

RECOMMENDATION:

Staff seeks direction from the City Council on whether to enter into negotiations with NW Natural Gas to increase the franchise fee rate from 5% to 5.94%.