



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 25

**Agenda Date:** January 26, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

License Agreement with Hooks Gas Pipeline, LLC.

**SUMMARY:**

Ordinance approving a non-exclusive license agreement with Hooks Gas Pipeline, LLC (Hooks) to use certain City rights-of-way for the purpose of installing, maintaining and operating natural gas transportation pipeline facilities, for an initial term of ten years. FY 2023 revenue generated by this agreement is estimated to be \$117,693.34 and will be deposited into the General Fund.

**BACKGROUND INFORMATION:**

Hooks Gas Pipeline, LLC (Hooks) is a wholly owned subsidiary of Centric Gas, whose parent company is Centric Infrastructure Group, which is headquartered in Montgomery County, Texas. Hooks builds and operates natural gas pipelines in five Texas counties: Bexar, Comal, Denton, Harris and Montgomery.

The license agreement allows Hooks to construct a natural gas transportation pipeline through City limits to supply natural gas to other entities who will provide retail natural gas service outside of City limits. This license does not grant Hooks the authority to provide directly or indirectly, natural gas sales or distribution services to end users or retail customers within the City limits, which is

CPS Energy's exclusive gas service area. Hooks shall not sell or distribute natural gas to end users or retail customers within the City limits. Additionally, Hooks shall not sell or transport natural gas to an affiliated entity that intends to sell or distribute natural gas to retail customers within the City limits.

Compensation under the agreement is governed by City Code Chapter 37 and is based on the estimated fair-market value of the Rights-Of-Way subject to the license agreement, converted to a per liner foot charge. The term of the agreement is ten (10) years with up to three (3) automatic five (5) year renewals. With each term, at the City's discretion, compensation is subject to reappraisal and renegotiation based on the fair-market value of the Rights-Of-Way subject to this license agreement. The agreement also provides for compliance with the City's ROW Management Ordinance and Excavation Manual.

The pipeline system to be built and maintained by Hooks will help to provide natural gas service to new subdivisions outside of City limits on the south side of the San Antonio metropolitan area. The streets to be used by the Hook's system are listed on Exhibit A of the agreement.

#### **ISSUE:**

This license agreement will allow Hooks to build a natural gas pipeline system to transport and provide natural gas to other entities who will provide retail gas service to new subdivisions outside City limits.

#### **ALTERNATIVES:**

If Hooks is not granted a license to construct a pipeline system, the subdivisions which were to receive retail gas service would need to find alternative energy sources.

#### **FISCAL IMPACT:**

This ordinance will authorize the City to receive application fees of \$12,225.00 and annual compensation for the use of the rights-of-way of 161,475.95 paid quarterly, with a 4 % annual escalation. Fiscal impact for FY2023 is estimated to be \$ 117,693.34 to include the prorated annual compensation, the application fees, and \$24,730.36 of fees in arrears. FY 2023 revenue generated by this agreement is estimated to be \$117,693.34 and will deposited into the General Fund.

#### **RECOMMENDATION:**

Staff recommends approval of the 10-year license agreement with Hooks.