

STAFF REPORT

Date: March 27, 2024

To: Mayor and City Council

Through: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Approval of a Gas System Franchise Agreement granted to Sierra Pacific Power Company d/b/a NV Energy.

From: Suzanne Groneman, Sustainability Manager

Department: City Manager's Office

Summary:

The existing franchise agreement granted to Sierra Pacific Power d/b/a NV Energy expires on April 22, 2024. This agreement provides for a term of ten years, with a renewal period of five years. The agreement sets mutually agreed-upon rules for Franchisee to install, maintain, and operate the energy facilities and or distribution system in Reno and allows the City of Reno to collect a franchise fee. The changes from the existing Franchise Agreement address maintenance and damages, as well as previously unaddressed matters affecting the public right of way.

Alignment with Strategic Plan:

Infrastructure, Climate Change, and Environmental Sustainability
Public Safety

Previous Council Action:

April 22, 2009: The Reno City Council approved a Gas System Franchise Agreement granted to Sierra Pacific Power Company d/b/a NV Energy.

Background:

The City of Reno previously entered into a Franchise Agreement on April 22, 2009, for a period of ten years with a five-year renewal provision. Pursuant to Reno Municipal Code (RMC) Sec. 2.140(1)(c), Council may provide or grant franchises for public transportation and utilities, and pursuant to Sec. 5.90.450 of the Reno Administrative Code, every public utility providing retail gas service to any customer located within the City must have a valid franchise agreement.

Discussion:

A franchise agreement is an important tool for the City of Reno because it establishes the terms under which NV Energy can operate within the City right-of-way including maintenance and safety. It also allows the City to collect franchise fees. The agreement ensures that NV Energy operates safely, reliably, and in compliance with local codes. The Franchise Agreement is not a regulatory process. The Franchisee is regulated by the Public Utilities Commission of Nevada (PUCN). The agreement does not establish rates or fees paid by ratepayers in Reno or any other rules other than those needed for Franchisee to install, operate, and maintain the gas system. The agreement is non-exclusive.

Substantive redlines (summarized) of changes from existing Franchise Agreement:

Section 4	Franchisee has the right to perform routine maintenance
7.3	Lines and appurtenances shall not interfere with other existing infrastructure
7.4	Franchisee's right to install and operate
7.5	Franchisee shall repair public roads damaged by defects or other causes related to operations
7.6	Relocation of certain facilities without expense to the City
7.7	Coordination by Franchisee with the City before performing maintenance work
7.8	Other appurtenances to be repaired by Franchisee if damaged
16.2	Maintenance and operation shall be in accordance with PUCN rules and regulations
16.3	Franchisee shall comply with local construction standards

Franchise Fees

The franchise fee paid to the City, in accordance with Sec. 5.90.450 of the Reno Administrative Code, is 5% of the total gross revenue for gas service.

Financial Implications:

The City of Reno will receive revenue of 5% of the total gross revenue for gas service in Reno.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council approve the Gas System Franchise Agreement granted to Sierra Pacific Power Company d/b/a NV Energy.

Proposed Motion:

I move to approve the Gas System Franchise Agreement granted to Sierra Pacific Power Company d/b/a NV Energy.

Attachments:

Gas System Franchise Agreement granted to Sierra Pacific Power Company d/b/a NV Energy