



**FRUITA**  
COLORADO

## AGENDA ITEM COVER SHEET

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**TO:** MAYOR AND CITY COUNCIL

**FROM:** MARGARET SELL, FINANCE DIRECTOR/CITY CLERK

**DATE:** JUNE 20, 2022

**AGENDA TEXT:** **ORDINANCE 2022-15 – FIRST READING** – An Ordinance granting a franchise to Public Service Company of Colorado for the right to use streets and other property for the transportation and distribution of gas and electricity in the City

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### BACKGROUND

Pursuant to the Fruita City Charter, the City Council has the authority to grant a franchise for the use of any street, alley or public place, subject to approval of a majority of the City Council for a period not to exceed 25 years. A franchise agreement allows a utility company the use of city streets, alleys and other property to provides services (gas and electricity) to residents and businesses, regulates the use of the right-of way, and determines compensation that the city will receive for use of said right-of-way. The City entered into the current franchise agreement with Public Service Company (PSCO) in 2002 and it is set to expire this year.

The term of the proposed franchise agreement is for twenty years and the franchise fee received by the City from PSCO remains unchanged at 3% of gross revenues from the sale of gas and electricity within the city limits. This is the standard fee charged by a significant number of cities within the State. This fee is passed directly to the customer as an expense of PSCO.

The franchise agreement includes continuation of the Underground Conversion Program which provides an amount equal to 1% of annual gross revenues for the purpose of undergrounding existing overhead electric distribution lines in city streets and other city property as requested by the City. These funds may be carried over to succeeding years and estimated amounts for the following 3 years may be used for undergrounding projects subject to terms and conditions of the agreement. Any unexpended portion of the undergrounding funds under the existing franchise agreement will be carried over to the new franchise agreement.

A new section has been added to the franchise agreement regarding the Environment and Conservation regarding the pursuit of reduction in carbon emissions attributable to electric generation facilities and conservation programs for the efficient use of energy.

Other terms of the agreement have been updated to reflect changes in industry and municipal practices and regulations.

## **FISCAL IMPACT**

The City received \$337,000 in 2021 in franchise fees from PSCO and anticipates receiving similar amounts under the new franchise agreement subject to growth, energy costs, inflation and conservation factors which may affect the gross revenues. In addition, the City receives credit for the undergrounding conversion program of 1% of grow revenues (\$112,000) on an annual basis for undergrounding existing overhead lines.

## **APPLICABILITY TO CITY GOALS AND OBJECTIVES**

Franchise agreements and revenues produced from said agreements help the City maintain its investment in the infrastructure (streets) of the City.

## **OPTIONS AVAILABLE TO THE COUNCIL**

- Direct staff to proceed with publication of the ordinance for second reading and public hearing
- Direct staff to negotiate and amend the term length of the agreement, rate of franchise fee or other terms of the agreement prior to public hearing and second reading of the ordinance

## **RECOMMENDATION**

It is the recommendation of staff that the City Council by motion:

**PUBLISH A NOTICE OF PUBLIC HEARING FOR ORDINANCE 2022-15  
ADOPTING THE FRANCHISE AGREEMENT WITH PUBLIC SERVICE  
COMPANY AS PRESENTED FOR PUBLIC HEARING ON JULY 19, 2022**