

**CITY COUNCIL AGENDA TOPIC**

Ordinance renewing the non-exclusive Natural Gas Franchise granted by Ordinance No. 6176 to Puget Sound Energy, Inc., a Washington corporation for an additional five (5) years; and establishing an effective date.

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**EXECUTIVE SUMMARY****ACTION**

Staff requests the approval of the renewal of the City's current Gas Franchise Agreement with Puget Sound Energy. The franchise agreement was enacted in 2014 for a 10-year term with the option to renew for an additional 5-year term at the sole discretion of Council.

**RECOMMENDATION**

Move to adopt Ordinance No. 6797

**BACKGROUND/ANALYSIS**

The Natural Gas Franchise Agreement with Puget Sound Energy (PSE) was adopted by Council on August 4, 2014. The franchise agreement was granted for a term of 10 years and in 2024 is available for an additional 5-year term renewal at the sole discretion of Council. Both PSE and staff recommend proceeding with renewal of the franchise agreement for an additional 5-year term. In determining whether to proceed with renewal of the Natural Gas Franchise Agreement, staff followed the steps outlined in BCC 14.20. Per BCC 14.20.080C, the City shall consider whether the applicant has complied with the terms of the existing franchise agreement, the quality of the applicant's service, whether the applicant's occupation of the public right-of-way poses an unacceptable risk, and the applicant's ability to provide the services outlined in the franchise agreement. After carefully assessing these considerations, staff recommend proceeding with renewal of the franchise agreement for the additional 5-year term.

The Natural Gas Franchise Agreement contains language that addresses topics to maintain a high-quality built environment and community safety and health. These topics include:

1. Permitting/Restoration:

The franchise ensures the City's ability to require permits, through which the City can influence the location of facilities (e.g. where pipes, valves, service connections etc. can be installed within the public right-of-way). When facilities are installed in the public right-of-way, permitting ensures the City's infrastructure (roads, sidewalks, etc.) is adequately restored. Furthermore, the permitting requirements help ensure PSE's facilities are not installed in the right-of-way in

conflict with City utilities, further protecting City's assets.

2. Relocation:

As an occupant of the public right-of-way, PSE is subject to relocation if necessitated by the installation of public infrastructure. The franchise lays out the conditions that trigger relocation of facilities, and when PSE is responsible for paying for those relocations. The procedures for relocation (notification requirements, conditions, etc.) are detailed in the Facilities Relocation Procedure Memorandum of Understanding (MOU) associated with the franchise. This MOU was adopted in 2014 and the term runs with the term of the franchise agreement, and will be renewed, as-is, along with the current gas franchise agreement if approved by Council.

3. Shared Excavations:

This section further protects City assets and helps minimize the impact on the public by requiring PSE and the other franchised utility companies to coordinate their plans for new facilities and install facilities in joint trenches to the extent possible, reducing the impact on the pavement and on the traveling public.

4. Records:

The records section of the franchise agreement provides the City access to a copy of PSE's plans and asset locations upon reasonable request. The Natural Gas System Integrity and Safety MOU stipulates the City's ability to request and receive copies of any reports or notices filed by PSE to the Washington Utilities and Transportation Commission, as well as annual maintenance, inspection and safety reports. This MOU was adopted in 2003. The term also runs with the term of the franchise agreement, and will be renewed, as-is, along with the current gas franchise agreement if approved by Council.

The Natural Gas Franchise Agreement was prepared with the priorities of system integrity and safety, relocation responsibilities, and efficient coordination in mind, as well as preserving the City's authority to manage the public rights-of-way.

Per the terms of the MOU between PSE and the City dated March 31, 2021, PSE is required to provide an annual report to the City with information on repaired natural gas leaks and planned maintenance throughout the City. This annual system integrity reporting meeting is unique to the City of Bellevue and is a touchpoint for both the City and PSE to maintain communication and coordination. The annual meeting occurred most recently on April 24, 2024 and provided valuable information on PSE's efforts to reduce risk and response time to repair leaks. Most notably, there were no active leaks in 2023 and homeowner damage to gas lines has decreased from 2022 to 2023. A major aspect of PSE's efforts to mitigate risk is their Damage Prevention Team. This team was established in the last decade and consists of damage prevention representatives who work to ensure safe digging practices in the field.

In addition to the annual system integrity meeting, PSE also provides the City the Continuing Surveillance Annual Report (CSAR), which reports on annual data related to the entire PSE gas distribution system and is a part of PSE's Distribution Integrity Management Program (DIMP). The CSAR documents how PSE complies with federal DIMP regulations and includes information on risk evaluation and prioritization, performance measures, periodic evaluation and improvement and system trends. The 2023 CSAR was provided to the City on June 4, 2024 and reports that, among PSE's entire distribution system, the backlog of active leak repairs was completed in 2023. Moving forward, leaks

will be scheduled for repair as they are identified. Additionally, pipes at risk of future leaks will be prioritized for replacement.

The current gas franchise agreement is robust and includes clauses that protect the City's interests, such as language ensuring efficient permitting and restoration, shared excavations, safety documentation reporting and asset relocation. Given the effectiveness that this franchise agreement has had in providing a high-quality built environment and promoting community health and safety, as well as the annual system integrity meetings and CSAR reports, staff finds it is in the City's best interest to renew the Natural Gas Franchise Agreement.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

#### State Law

Two public entities have dual jurisdiction over PSE within the City of Bellevue:

1. The Washington Utilities and Transportation Commission (WUTC), pursuant to RCW 80.01.040, has the authority to regulate the rates, services, facilities and practices of private utilities, including natural gas. The WUTC also conducts auditing to ensure federal laws are followed appropriately.
2. The City, pursuant to RCW 35A.47.040, has the authority to grant non-exclusive franchises for the use of public streets or other public ways for the transmission and distribution of natural gas and other utilities.

#### Bellevue City Code

BCC Chapter 14.20 provides the basic terms and conditions for granting such a franchise. The City grants and manages franchises with utilities and other providers using the rights-of-way and other public ways. Franchise agreements are necessary to balance the effective distribution of services in the public rights-of-way and the need to ensure the health, safety and welfare of the general public.

#### Current Franchise

The current franchise agreement was passed by Council on August 4, 2014 under Ordinance No. 6176 (with an effective date of August 12, 2014), and absent Council action to renew, would expire on August 12, 2024. The current franchise agreement provides for a one-time five-year extension, upon request by PSE at Council's sole discretion.

### **Fiscal Impact**

There is no fiscal impact associated with renewing the Natural Gas Franchise Agreement.

## **OPTIONS**

1. Adopt the Ordinance renewing the non-exclusive Natural Gas Franchise granted by Ordinance No. 6176 to Puget Sound Energy, Inc., a Washington corporation for an additional five (5) years; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff. This option would result in the need to formally negotiate a new natural gas franchise agreement with PSE.

## **ATTACHMENTS**

A. Ordinance No. 6176  
Proposed Ordinance No. 6797

## **AVAILABLE IN COUNCIL LIBRARY**

N/A