



Legislation Details (With Text)

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Title: Resolution Directing the City Administrator to Negotiate a New Natural Gas Franchise

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Resolution Directing the City Administrator to Negotiate a New Natural Gas Franchise

While researching the City's opportunities related to beneficial electrification, limiting new natural gas connections, and achieving the A²ZERO goal of community-wide carbon neutrality by 2030, City staff reviewed the City's natural gas franchise (Ann Arbor City Code, Chapter 34) and noted that it is set to expire in 2027. Under Michigan law, a franchise is a contract between a local unit of government and a utility that: (i) governs the use of the public rights of way, and (ii) sets the conditions under which the company may, for a set period, provide the specified utility service. Franchises can also include additional terms and several local governments across the country (e.g., Chicago, Salt Lake City, and San Diego) have successfully advanced affordability, equity, and clean energy goals via franchise negotiations while optimizing use of the public rights of way.

Given the City's aggressive and time sensitive A²ZERO goals, the community's desire for more resilient, reliable, and affordable energy, and the need to accomplish these ends in a legally prudent manner, staff request Council authorization to begin negotiations immediately with the goal of bringing a new franchise aligned with A²ZERO and best practices regarding the use of the City's rights of way, back to Council as soon as possible.

Budget/Fiscal Impact: Budget currently exists within the Office of Sustainability and Innovations to fund legal support services to advance this work.

Prepared by: Missy Stults, Sustainability and Innovations Director

Reviewed by: Atleen Kaur, City Attorney

Approved by: Milton Dohoney Jr., City Administrator

Whereas, In 1997 the City of Ann Arbor granted a non-exclusive franchise to Michigan Consolidated Gas Company, a subsidiary of DTE, to supply and sell natural gas within the City of Ann Arbor for a period of 30 years;

Whereas, This franchise for natural gas is set to expire in 2027, but is also revocable at will;

Whereas, The Ann Arbor City Council has adopted A²ZERO, setting the goal of community wide carbon neutrality by the year 2030, including the sub-strategy of supporting beneficial electrification and an incremental transition from natural gas to electric transportation and building systems;

Whereas, The City and all utilities, including DTE Gas, that use the rights of way to provide utility service would benefit from improved communication and practices regarding the use of the City's rights of way;

Whereas, Ann Arbor City Council recognizes the urgency in identifying and implementing thoughtful and innovative approaches to meet the City's goals;

RESOLVED, That Ann Arbor City Council directs the City Administrator to begin negotiating a new or amended natural gas franchise;

RESOLVED, That Ann Arbor City Council directs the City Administrator to ensure that any new or amended proposed franchise is aligned, to the fullest extent possible, with the City's A²ZERO goals and best practices regarding uses of the City's rights of way, without compromising the ability of community members to heat or cook in their homes and businesses; and

RESOLVED, That the City Administrator be authorized to take all necessary administrative actions to implement this resolution.