

DATE: *November 26, 2024*
 TO: Mayor and City Council
 FROM: Assistant City Manager
 SUBJECT: Transco Interconnect Agreement and Project Approval



RECOMMENDED ACTIONS

1. Approve the project to upgrade the city’s interconnection with Transco Pipeline; and
2. Authorize the Mayor to sign the Interconnect, Reimbursement, Construction, and Operating Agreement upon final legal review; and
3. Approve the corresponding 2024 budget amendment to provide for the initial payment.

BUDGET IMPACT

This project and costs associated with the Agreement is considered in the proposed 2025-2029 Capital Improvement Budget. There are three (3) required payments. One in 2024 in the amount of \$571,890 due upon execution of the agreement and the others due in 2025 for a total anticipated cost of \$2,147,407. Funding is provided through a combination of SPLOST and gas department reserves in accordance with the following capital stack:

Amount	Source
\$1,191,317.32	SPLOST
\$ 643,811.68	GAS RESERVES 2024
\$ 312,278.00	GAS RESERVES 2025
\$2,147,407.00	TOTAL

Payment Schedule:

Amount	Payment	Due Date
\$ 571,890.00	Pmt 1	2024
\$ 515,715.00	Pmt 2	2025
\$1,059,802.00	Pmt 3	2025
\$2,147,407.00	TOTAL	

BACKGROUND & DISCUSSION

The city's natural gas system is interconnected with the Transcontinental Pipeline that runs through our area which transports the gas necessary for operating our distribution system. The connection has operated for many years but is nearing the end of its useful life and is in need of an upgraded tap, regulator, and meter station. The ageing infrastructure (the current equipment was installed in the 1990's.), size and reliability has given rise to the consideration for the project in addition to serving higher existing throughput and future demand. The current needs as well as growth of the system is contemplated in the design of station improvements and will serve us well into the future. The proposal involves the permitting, reconstruction of a new tap, and metering equipment with larger capacity to provide for future need, handle current peak flows, and allow us to control the pressures on our distribution system downstream of the station.

City staff has worked closely with the Municipal Gas Authority of Georgia (MGAG; "the gas authority") on the future planning of our needs and the design of the station improvements. The design and project implementation is under the control and supervision of Transco and their parent company, Williams, due to the transmission component of the project being a highly-regulated segment of the delivery system under the Federal Energy Regulatory Commission (FERC) purview and this project will meet those requirements. The proposed improvements are scheduled for non-peak months in 2025 in order to minimize service interruptions during construction. We can continue to maintain service using other existing distribution interconnections during low demand periods, but on a limited basis.

The unit cost is \$0.03 per hundred cubic feet (CCF) over about a ten year period and the payback on the investment is just under ten years, taking operational savings and growth into account over that timeframe. So, while the infrastructure needs to be replaced, the upgraded equipment places the city in a position to grow in its role as a reliable and safe energy supplier in our fixed territory.

SUMMARY AND RECOMMENDATIONS

With input and recommendation from MGAG, our legal counsel, and gas department staff; the recommendation is to approve the agreement with Transco and authorize the Mayor to sign it subject to final legal review. The city attorney has reviewed the draft contract and agrees to its form with a change in legal jurisdiction from Texas to Georgia.

Attachment – Budget Amendment



Budget Amendment Request - Revenue & Expense

Date: 26-Nov-24

Department: Capital Improvement

Discussion: Transco Pipeline Interconnection

Provide for first (1) of three (3) payments to initiate the project

GL Code	GL Description	Original Budget	Increase Exp Budget Amount	Increase Rev Budget Amount	Revised Budget
EXPENSE GL CODES					
515-4700-54-1203	R&R-Transco Pipeline Interconnection	\$0.00	\$571,890.00		\$571,890.00
					\$0.00
REVENUE GL CODES					
515-0000-39-1203	Transfer in from Gas Reserves	\$0.00		\$571,890.00	\$571,890.00
					\$0.00
					\$0.00
			\$571,890.00	\$571,890.00	

Reviewed/Approved By: _____ Date: _____

Department Head: _____

Finance Manager: _____

City Manager/ACM: _____

Finance Dept Use:
Date Modified: _____
Updated by: _____
Council Approval Required?