



BYLAW 36-23 - NATURAL GAS FRANCHISE FEES

Purpose

The purpose of Bylaw 36-23 is to provide natural gas franchise fees for 2024 as outlined in the terms of the Town's existing franchise agreement.

Readings

This Bylaw is ready for first reading only.

Report, Analysis and Financial Implications

The Governance and Priorities Committee met on April 17 and September 18, 2023 to discuss the issue of the franchise fees recommended increase for 2024. The proposed new rates are as follows:

1. ATCO Gas - Increase rate from 20% to 35%. Estimated revenue increase of \$1.035M. Estimate annual impact for residential home using 115 GJ/year is an additional \$81.81 year; monthly \$6.82

Utility providers are granted an exclusive right to provide services in a municipality under a franchise agreement. Under a franchise agreement, municipalities are permitted to charge fees in exchange for providing utility providers with access to municipal land to locate utility infrastructure such as pipelines for natural gas or wires for electricity distribution. These charges, referred to as franchise fees, are charged to customers who use the services, and the money collected by the utility provider returned to the municipality.

Under section 360 of the *Municipal Government Act*, municipalities are permitted to charge franchise fees. The Alberta Utility Commission (AUC) regulates the franchise fee rates in the province.

The Town of Okotoks currently has a franchise agreement with ATCO Gas - South that provides the natural gas utility within Okotoks and is covered by a contract to provide a 20% franchise rate with an AUC cap at 35%.

The current ATCO Gas franchise fee is estimated to return a net \$1.380 Million revenue to the Town of Okotoks for 2024.

Municipal Comparisons (2023 Rates)

Natural Gas Franchise Fees	
ATCO Gas - South Customers	Percentage
Strathmore	35.0%
Vulcan	35.0%
Canmore	30.0%
Airdrie	29.6%
Lethbridge	27.0%
High River	20.0%
Cochrane	20.0%

Strategic Plan Goals

<input checked="" type="checkbox"/> Responsibly Managed Growth	<input type="checkbox"/> Demonstrated Environmental Leadership
<input type="checkbox"/> Strong Local Economy	<input type="checkbox"/> Enhanced Culture & Community Health
<input type="checkbox"/> Organizational Excellence	

Public Hearing / Participation Strategy

Under the franchise agreement, the Town of Okotoks must provide proof that the increase has been advertised in the local newspaper within the municipality for two consecutive weeks as part of the request made to the franchise provider as the provider must include this information as they seek approval from the Alberta Utility Commission. If any written objections or concerns are received by the municipality, notification must be provided to the franchise providers as part of the application process.

Alternatives for Consideration

n/a

CAO Comments

Municipalities have limited options to increase revenues. The options presented ensure not only competitiveness within our market comparators but ensure a more equal distribution of these utility costs. I support the options recommended by the Governance and Priorities Committee as it distributes costs over a larger base than the tax base and should increase when property taxes have significant increases. These rates would then be built into the 2024 budget and 5-year operating plan.

Attachment(s)

1. Draft Bylaw 36-23 – Natural Gas Franchise Fees
2. ATCO Gas Rider Schedules

Prepared by:
Ralph Ettenauer
Chief Financial Officer
September 19, 2023