



## 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 second 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%

This Bylaw was given first reading at the September 25, 2023 Regular Council Meeting and is currently awaiting approval by the Alberta Utilities Commission (AUC). Third reading will be considered dependant on AUC approval.

### **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 objectives or concerns are received by the municipality, notification must be provided to the franchise providers as part of the application process.

In accordance with the above the Bylaw was advertised in the September 27 and October 4 editions of the Western Wheel and on the Town's website, no submissions were received in response to this notification and the Bylaw was forwarded to ATCO Gas for submission to the AUC.

### **Alternatives for Consideration**

Provide second and third readings once AUC approval is received.

## **CAO Comments**

At the time of publishing this report, an answer back from the AUC has not been received. The Town has requested information if it requires the approval of the regulator to change the increase amount. In Council's, 4 year budget plan, approval was given for a 5% franchise fee increase. In September, approval was given to increase that amount to the maximum level and AUC approval was sought for that amount. Advertising and regulatory approval was done at the maximum level. Clarity is being requested if AUC approval is required to support an increase but at a lower level. As at noon on November 23, 2023 AUC has not provided approval for the franchise fee increase and has not answered the additional questions.

## **Attachment(s)**

1. Bylaw 36-23 – Natural Gas Franchise Fees – First Reading Version
2. ATCO Gas Rider Schedules

Prepared by:  
Ralph Ettenauer  
Chief Financial Officer  
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