



STAFF REPORT

Title: Franchise Agreement - ATCO Electric

Meeting Date: September 10, 2019

Executive Summary:

Under the terms of the current 10 year Electrical Franchise Agreement, signed and approved in August 2013, and subject to the approval process outlined in the *Municipal Government Act*, RSA 2000, c. M-26, municipalities have the ability to annually adjust the franchise fee charged to distribution utilities, subject to Alberta Utilities Commission (AUC) approval. The current Franchise fee is 4.25% with a cap of 10%. The franchise fee is estimated to generate \$558,000 in 2019, and \$564,000 in 2020. Every 1% will generate approximately \$122,000 annually.

Background:

Franchise fees are recovered from consumers in a municipality through a local rate rider (which rider, for the purposes of clarity, does not include fees from retail service providers). Franchise fees are calculated based on a percentage of revenue of each utility's transmission and distribution tariff. Under the franchise agreement ATCO will continue to pay to a municipality both a franchise fee and linear taxes. The Municipal portion of Linear taxes for 2018 was \$130,543.85, and \$133,869.90 for 2019. The franchise fee cap of 20 per cent is a provision under the franchise template however the City of Cold Lake currently has a 10% cap. The franchise cap and the franchise fee may only be changed with AUC approval. Franchise fee rates range from 0% to 20%. There does not seem to be any formula or rules on changing rates except that they are at the discretion of the municipality and must be approved by AUC. Revenue generated from an increase in franchise fees could be earmarked for a specific utilities project. If Council wishes to change the Franchise fee the City would have to publish a notice of the proposed change for 14 days and by Dec 1 notify ATCO of the proposed change in order to obtain AUC approval and start billing the new fee January 1, 2020. ATCO would then apply to the AUC to change the rate. The rate would have to be approved by AUC prior to implementation. Please note Page 9 of the Franchise Agreement for adjustments to Franchise Fees and Franchise caps. Any changes would be included in the 2020 budget.

Alternatives:

Council may consider the following options:



1. Council may pass a motion to maintain the franchise fee that has been in place since 2003 as per the Corporate Priorities Committee.
2. Council may consider changing the franchise fee and allocating it to a utility project.
3. Council may change the franchise fee.

Recommended Action:

Administration recommends that Council pass a motion to maintain the Electrical Franchise fee at 4.25% of distribution revenue.

Budget Implications (Yes or No):

Yes

Submitted by:

Kevin Nagoya, Chief Administrative Officer