

August 27, 2019

City of Cold Lake
Attn: Kevin Nagoya
5513 48 Avenue
Cold Lake, AB
T9M 1A1

Re: Distribution Revenue Forecast for 2020 Franchise Fee

Dear Kevin Nagoya,

Your Franchise Agreement allows for an annual change to the franchise fee percentage. However, a certain procedure must be followed, before the fee can be changed. This letter will help you with that procedure.

The steps needed to change the fee are:

1. Your Municipality must decide if a change is required and what the new fee percentage should be. ATCO Electric will provide revenue estimates to help you with this (if the new fee is greater than the pre-approved cap in your franchise, a different process is required).
2. In accordance with the Alberta Utilities Commission (AUC) Decision approving your Franchise Agreement, you must publish a public notice of the proposed change in the local newspaper with the greatest circulation. This notice must include the effect of the proposed change for the average residential customer. ATCO Electric can estimate the new charges and the effect on an average customer bill. We recommend that fee change notices be published before Oct 14, 2019.
3. Residents must have at least 14 days from the publication of the notice to make their concerns known to the Municipality and the Municipality is to respond to these concerns.
4. The Municipality will advise ATCO Electric by letter of the new fee percentage. This letter is to include a copy of the public notice, publication details (date and paper), and any comments the Municipality wants to include on the public response.
5. ATCO Electric will apply to the AUC to change the rate. Copies of the Municipality's letter and notice will be included with ATCO Electric's application. ATCO Electric must receive the municipality's request (complete with a copy of the notice) by November 25, 2019 in order to obtain AUC approval and start billing the new fee January 1, 2020.
6. The AUC must approve the change to ATCO Electric's rates. Provided the Commission is satisfied that proper notice was given, and no one has complained directly to the Commission, this approval should come quickly.
7. Once the rate change is approved, ATCO Electric will start to charge and remit the new fee.

The following information will help you decide on the appropriate fee percentage.

Current Fee Percentage	Current Fee Cap	Distribution Revenue Previous calendar year	Estimated 2019 Distribution Revenue	Estimated 2020 Distribution Revenue
4.25% of distribution revenue	20%	\$12,537,650.35	\$13,136,670.12 Estimated on 6 months data	\$13,268,036.82 Amortized (inflation index)

To estimate the franchise fee, multiply the fee percentage by the estimated Distribution Revenue. When calculating your revenue requirements please remember that this fee is paid in addition to the linear taxes on the distribution system.

We are available to discuss this with you in more detail. If you have any questions or comments, please call me at 780-826-6711.

Yours truly,



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