



ATCO

Town of Claresholm

ATCO Franchise Renewal Presentation

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Grant of Franchise

- Grants ATCO exclusive right to install pipe in municipal right-of-ways for the purpose of delivering gas to customers.
- The municipality commits not to grant similar rights to another company for the term of the agreement.
- ATCO agrees to bear full responsibility of the distribution system and ensure all services delivered in the municipality are in accordance with ATCO's Delivery Tariff.



Serving Claresholm

- ATCO has been the natural gas distributor in Claresholm since 1913
- We have an ATCO office in Claresholm with 2 employees
- Other offices are located in Blairmore, Cardston, Fort Macleod, Vulcan, Taber, Brooks, and Lethbridge

AMA Franchise Agreement Template

- The franchise agreement is based on an AMA template developed in 2003.
- A new version of the AMA franchise agreement template was negotiated and approved in early 2015. Parties involved include:
 - ATCO
 - Apex Utilities
 - AB Munis
- Current agreement has a 20-year term (2005-2025) and is based on the 2003 template

Agreement Term

- Minimum 10 year / maximum 20 year term, with an end date.
- Agreement continues in effect after the end date, unless renewed or terminated
- **NOTE:** If the agreement is not renewed or terminated within one year after the term ends, the franchise fee paid to the municipality is halved with the other half held in an interest-bearing trust account until the agreement is renewed.



Franchise Fee

- Franchise fee is for exclusive use of municipal right-of-ways for installation of ATCO's distribution system.
- Current fee in the Claresholm is **14%** of the revenue ATCO earns delivering gas in your community (excludes commodity cost of gas)
- Franchise fee is collected from customers in Claresholm via **Rider A** on their monthly bill.
- Franchise fee can be adjusted annually
- The **AUC-prescribed cap** for franchise fees is **35%**.



Municipal Taxes

- Offers an opportunity to collect linear taxes in addition to the franchise fee.
- Currently, Claresholm does impose separate linear taxes in addition to the franchise fee
- This municipal tax is collected from customers in Claresholm via the **Rider B** on their monthly bill



Sale of Natural Gas Distribution System

- Outlines the municipality's right, subject to AUC approval, to acquire ATCO's distribution system upon expiry of the term or termination of the Agreement (Section 47 of the *Municipal Government Act*).
- Price to be negotiated, with unresolved issues, if any, referred to the AUC for determination
- **If issues are unresolved after 6 months, mechanism in place for AUC to determine price**



Right-of-First-Refusal to Purchase

- If ATCO receives an offer to purchase the assets in the municipality only (i.e. not as part of a larger sale), the municipality has the first right to purchase the assets on the same terms.
- Right-of-first-refusal does not apply when an “asset swap” is contemplated.
- If the municipality exercises its right to purchase and then decides to sell within five years, ATCO has the right-of-first-refusal to purchase the assets back.
- Applicable for sections 10 – Sale of Natural Gas Distribution System & Section 12 – Right of First Refusal to Purchase



Increase in Municipal Boundaries

- Franchise rights / obligations automatically extend to all areas annexed by the municipality **if ~~annexation size is less than 640 acres or 25% of the current size of the municipality.~~**
- ~~For larger annexations, the municipality has the option to add the increased area to our franchise area or terminate the agreement.~~



Source: <https://www.fedgas.com/>

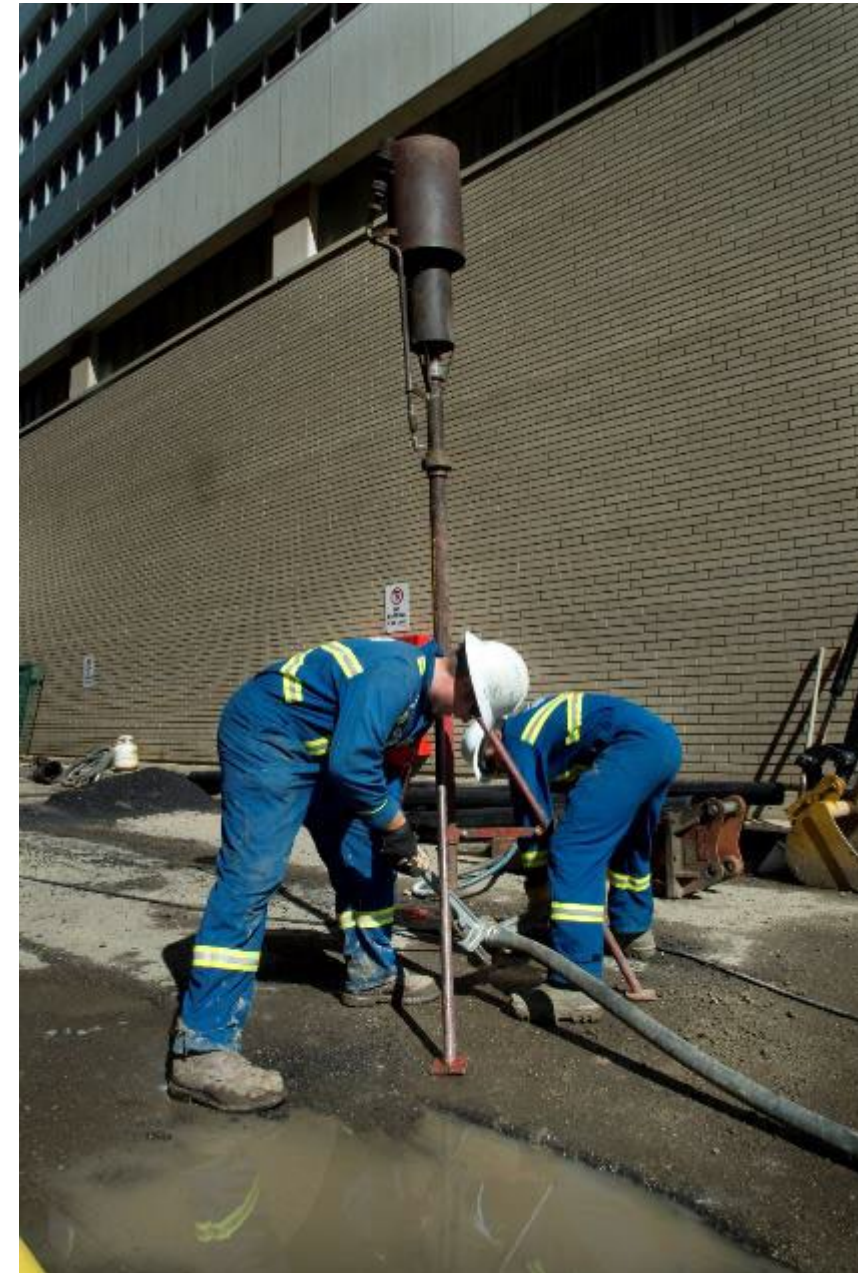
Distribution System Expansion

- ATCO will extend its distribution system to provide service to customers, at no cost to the municipality, under its AUC-approved Terms and Conditions of Service.
- Includes extending distribution mains to any customer, at no cost to the customer, where the municipality has extended its sewer and water infrastructure.



Cost of Relocations

- ATCO will relocate its facilities in municipally-owned property (e.g. streets, lanes) to accommodate municipal work at our cost, provided that the municipality:
 - Provides one year's notice.
 - Provides a suitable alternative location.
 - Considers ATCO's costs in the determination of the relocation request.
 - Is not acting as a land developer.



Provision of Plans and Equipment

- ATCO to provide the municipality with plans showing locations (excluding depth) and alignments of the gas distribution system, excluding service lines and installations on private property.
- ATCO to co-operate with the municipality's fire department to provide necessary equipment for the operation of ATCO's curb boxes and service valves.



Core and Extra Services

- Outlines core services provided by ATCO (Schedule A).
 - Requires ATCO to annually report specific service levels to the municipality (e.g. reliability, customer satisfaction, public safety.)
- Includes provision that the municipality can request “extra” services from ATCO (Schedule B).
 - Provided under a separate agreement.
 - Costs for extra services collected only from customers of the municipality.



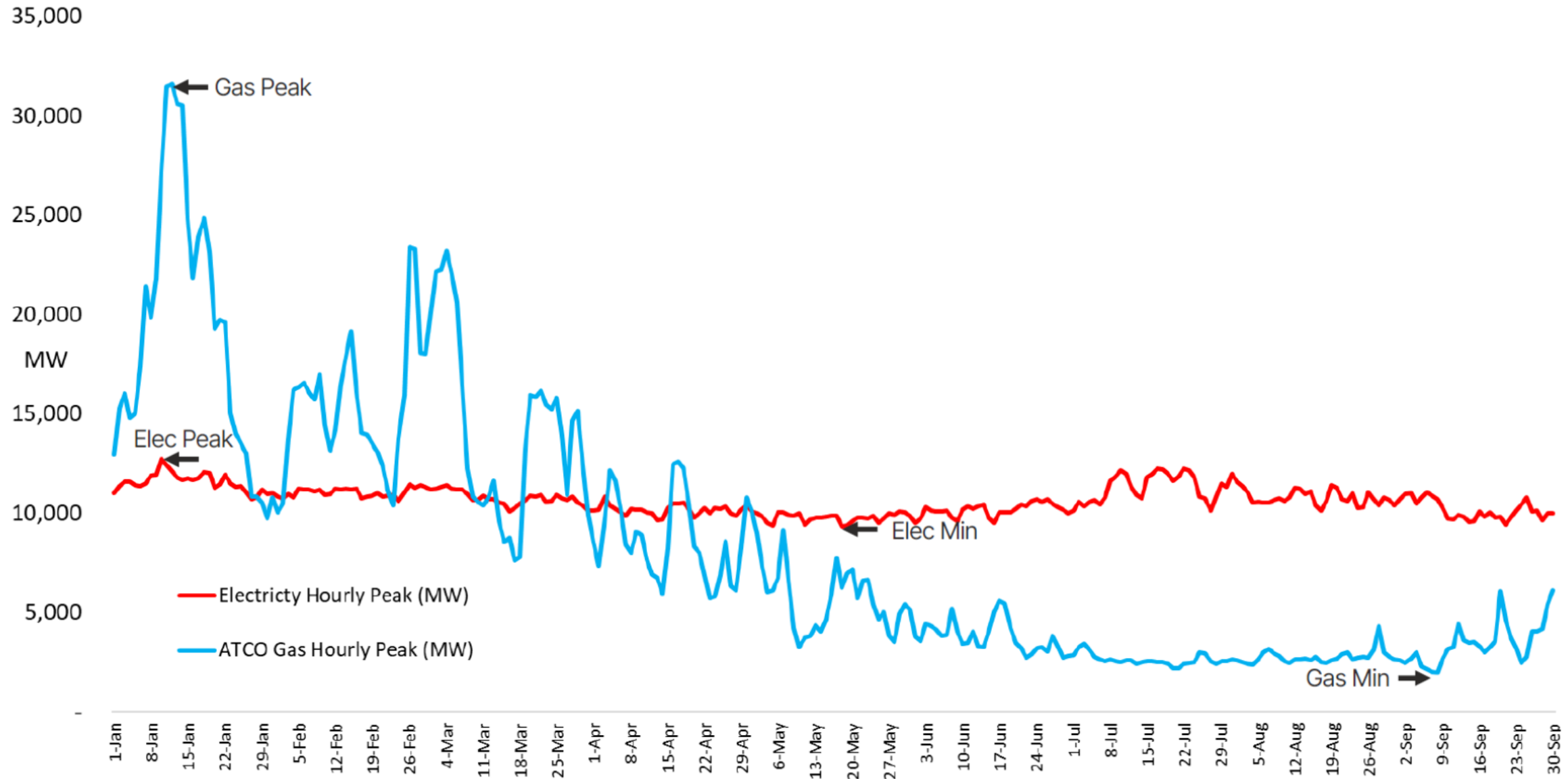
Albertans Counts on ATCO

Since 1912, our customers have counted on us to deliver safe and reliable natural gas. Today, as Alberta's largest natural gas distributor, we serve more than 1.1 million customers in almost 300 communities.



Reliability & Affordability

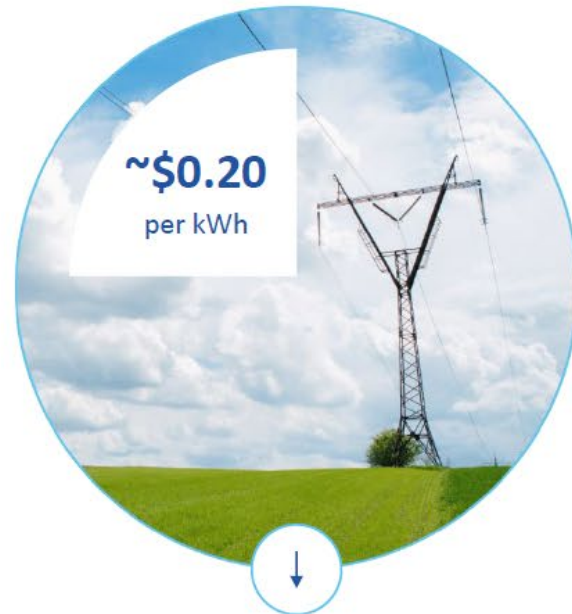
Hourly Peak Energy Use Alberta 2024



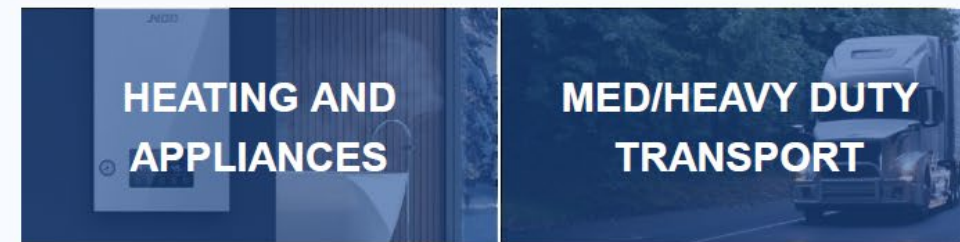
Reliability & Affordability

Delivered Cost: Appropriate Fuel Choice

ELECTRICITY GRID



GAS DISTRIBUTION NETWORK



Questions?





ATCO