



# REQUEST FOR DECISION

Meeting: September 22, 2025

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## ATCO (Natural Gas) Franchise Fee

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### **BACKGROUND**

ATCO franchise fees are the rent or lease costs ATCO pays the Town to have their infrastructure (pipelines, etc.) on Town land and exclusive rights to the distribution of Natural Gas within the Town of Claresholm. These fees are in turn charged directly to the consumer (residents and businesses) on their gas bill. Most municipalities in Alberta have franchise fees.

Council has the authority to change the rate for the Town's ATCO (natural gas) franchise fee. As per the Franchise Agreement, we must notify ATCO of any changes. We do not require a motion if Council does not want to make changes.

### **DISCUSSION**

Claresholm's franchise fee rate is currently 14%. As detailed in the attached chart, Claresholm is lower than the majority of communities – out of 68 communities (not including Claresholm), there are 15 that are lower than Claresholm as highlighted in green in the attached rate schedule (page 4). The other 53 municipalities are higher, with some as high as 35%. The average rate of the 68 communities is 19.70%.

Communities we generally compare ourselves to for tax rates and such include those in close proximity to us, including Fort Macleod (12.5%), Nanton (19%), High River (20%), Stavely (11%), and Granum (0%), and those of similar size and distance from larger urban communities, including Vulcan (35%), Raymond (15%), and Cardston (20%).

Based on the current rate, and ATCO's projection for 2026 delivery tariff revenue, it is estimated that the ATCO Franchise Fees would be \$184,298. 2025 revenues were projected to be \$183,256, as of August 31<sup>st</sup> the Town has collected \$130,972 from ATCO in franchise fees. If rates are not adjusted, the Town is projected to see a \$1,042 increase in 2026.

If Council chose to increase the ATCO Franchise Fee rate to 15.00% this would result in estimated revenues of \$197,462, or an annual increase to the average residential customer bill of \$5.64. If Council raised rate to 16%, estimated revenues would be \$210.626, or \$11.28 annual increase for the average residential customer.

Council's ATCO Franchise Fee motions since 2021 are as follows:

#### 2021 Motion:

RFD: Natural Gas Franchise Fee - Moved by Councillor Zimmer to leave the Natural Gas Franchise Fee with ATCO Gas and Pipelines Ltd. the same at 10% for 2022. CARRIED MOTION #21-156

#### 2022 Motion:

RFD: ATCO Franchise Fee - Moved by Councillor Carlson to keep the Franchise Fee Rate with ATCO the same at 10% for 2023. CARRIED MOTION #22-120

2023 Motion

RFD: ATCO Gas Franchise Fee - Moved by Councillor Kettles to approve a rate change in the ATCO Gas Franchise Fee from 10% to 12% for 2024. CARRIED MOTION #23-133

2024 Motion:

Moved by Councillor Cutler to approve a rate change in the ATCO Franchise Fee from 12% to 14% for 2025.

**RECOMMENDATION**

Administration is recommending an increase to the ATCO Franchise Fee rate of at least 1%, to help the Town keep up with increasing inflationary and operating costs.

If a change is made, there are advertising requirements that will have to be met prior to the increase, which will occur prior to the new year.

If Council would like to leave the rate unchanged no motion is required.

**PROPOSED RESOLUTIONS:**

Moved by Councillor \_\_\_\_\_ to approve a rate change in the ATCO Franchise Fee from 14% to \_\_\_\_ %.

**RECOMMENDED ACTION:**

ATTACHMENTS:

- 1) ATCO Letter – Franchise Fee Estimate
- 2) ATCO Gas South Rate Schedule

PREPARED BY: Jennifer Place, Director of Corporate Services \_\_\_\_\_

APPROVED BY: Abe Tinney, CAO \_\_\_\_\_

DATE: September 15, 2025 \_\_\_\_\_