

August 25, 2025

Town of Claresholm
PO Box 1000
Claresholm, AB, T0L 0T0

Attention: Mr. Abe Tinney, Chief Administrative Officer

Re: Natural Gas Franchise Fee Estimate for 2026 - Claresholm

As per the Natural Gas Distribution System Franchise Agreement between ATCO Gas and Pipelines Ltd. (ATCO) and the Town of Claresholm, ATCO pays the Town of Claresholm a franchise fee. The franchise fee is calculated as a percentage of ATCO's revenue derived from the delivery tariff and is collected from gas customers within Claresholm.

The franchise agreement requires that we provide ATCO's total revenues derived from the delivery tariff within Claresholm for 2024 and an estimate of total revenues to be derived from the delivery tariff within Claresholm for 2026. The chart below provides this information as well as an estimate of your franchise fee revenue for the 2026 calendar year.

ATCO's Delivery Tariff Revenue in 2024	ATCO's Estimated Delivery Tariff Revenue for 2026	Your Current Franchise Fee Percentage	Your Estimated Franchise Fees for 2026
\$1,275,920	\$1,316,415	14%	\$184,298

Please note that the estimated delivery tariff revenue for 2026 can be impacted by changes in customer operations and weather. Additionally, ATCO has utilized forecast 2026 delivery rates; however, they have not yet been approved by the Alberta Utilities Commission (AUC). ATCO commits to providing updated franchise fee revenue forecasts at a future date should there be material impacts related to any update of these forecast assumptions.

Under the franchise agreement, the Town of Claresholm has the option of changing the franchise fee percentage for 2026. If you are considering changing the franchise fee in 2026, please contact us as soon as possible to learn about the process. The franchise fee change process is regulated by AUC Rule 029, which mandates specific steps to take, timelines, and a new public notice template to be used for advertising. We will guide you through the process and will file the application with the AUC for approval. A request to change the franchise fee must be made in writing to ATCO before the end of October 2025.

We trust you will find this information useful. Should you have any questions or require anything further, please do not hesitate to contact me at Dan.Magnan@atco.com.

Yours truly,



Dan Magnan
Senior Manager, Lethbridge Operations
ATCO Gas & Pipelines Ltd.