



Claresholm

REQUEST FOR DECISION

Meeting: September 23, 2024

Fortis (Electricity) Franchise Fee

BACKGROUND:

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

Council has the ability to change the rate for our Fortis (electricity) franchise fee. As per our agreement, we must notify Fortis of any changes. Administration does not require a motion if Council does not want to make changes.

DISCUSSION

Claresholm's rate is currently 6%. As detailed in the attached chart, Claresholm is below the average – out of 165 communities of 9.49%. Communities we generally compare ourselves to for tax rates and such include those in close proximity to us, including Fort Macleod (15%), Nanton (9%), High River (20%), Stavely (6%), and Granum (0%), and those of similar size and distance from larger urban communities, including Vulcan (20%), Raymond (16%), and Pincher Creek (20%).

Based on our current rate, and Fortis' projection for 2025 delivery tariff revenue, it is estimated that our revenue from Fortis Franchise Fees will be \$211,892. This is a projected increase from 2024 at approximately \$13,000.

If Council chose to increase the Fortis Franchise Fee rate from 6% to 7% this would result in an additional \$49K in revenues, helping to reduce the burden on property taxes, and more fairly distribute the burden of municipal revenues to all properties (i.e. AHS, Schools, etc.), vs only those that are taxable. A 1% increase in the Franchise Fee rate is estimated to have a \$11.81 annual impact on residential customers (approx.. \$1/month). A 2% increase would be a \$21.83 annual impact to residential customers (\$1.82/month).

Previous Motions for the Fortis Franchise Fees are as follows:

2021:

Fortis Franchise Fee - Moved by Councillor Zimmer to increase the franchise fee percentage from 4% to 5% for 2022 as per Clause 5(a) of the Electric Distribution System Franchise Agreement with FortisAlberta Inc. CARRIED MOTION #21-179

2022:

No increase

2023:

RFD: Fortis Franchise Fee - Moved by Councillor Kettles to approve a rate change in the Fortis Franchise Fee from 5% to 6% starting in 2024. CARRIED MOTION #23-143

RECOMMENDATION

Administration recommends an increase to the Fortis Franchise Fee rate of 1% to 2%, to help offset inflationary and costs to the Town's operating budget in 2025, and to reduce this burden on property taxes.

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 Fortis Franchise Fee from 6% to 7% (or a different percentage as desired by council).

ATTACHMENTS:

- 1) Fortis Municipal Franchise Letter
- 2) Franchise Fees (July 2024)

PREPARED BY: Abe Tinney – CAO

DATE: September 18, 2024
