



REQUEST FOR DECISION

Meeting: September 23, 2024

ATCO (Natural Gas) Franchise Fee

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 can change the rate for our ATCO (natural gas) franchise fee. As per our 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 rate is currently 12%. As detailed in the attached chart, Claresholm is lower than the majority of communities – out of 65 communities (not including Claresholm), there are 4 that are lower than Claresholm (Hill Spring – 5%, Granum – 0%, Nobleford 7.5%, and Standard 5%) and one that is the same (Vauxhall). The other 60 are higher, with some as high as 35%. Average for the 65 communities is 18.55%.

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 our current rate, and ATCO's projection for 2025 delivery tariff revenue, it is estimated that our ATCO Franchise Fees will be \$157,077. 2024 revenues are projected to be \$150,335. If rates are not adjusted, the Town is projected to see a \$6,700 increase in 2025.

If Council chose to increase the ATCO Franchise Fee rate to 13% this would result in estimated revenues of \$170,807, or an annual increase to the average residential customer bill of \$5.66. If Council raised rate to 14%, estimated revenues would be \$183,256, or \$11.32 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

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 12% to ____ %.

RECOMMENDED ACTION:

ATTACHMENTS:

- 1) ATCO Franchise Fee Correspondence
- 2) Franchise Fee Rate Comparison Chart

PREPARED BY: Abe Tinney, CAO

DATE: September 20, 2024
