

# TOWN OF BONNYVILLE

## REQUEST FOR DECISION

**Date:** September 4, 2024

**Submitted By:** Administration

**Meeting Date:** September 10, 2024

**SUBJECT: APEX Utilities Inc. – Distribution Revenue Forecast – 2025 Franchise Fee**

---

**BACKGROUND:** The Town of Bonnyville and APEX Utilities Inc. (formally AltaGas Utilities Inc.) entered into a ten (10) year Natural Gas Distribution System Franchise Agreement on October 1<sup>st</sup>, 2015, and will be reviewed for renewal prior to September 30<sup>th</sup>, 2025.

Under the terms of the Agreement, subject to the approval process outlined in the *Municipal Government Act*, RSA 2000, c. M-26, municipalities have the ability to request an annual adjustment to the franchise fee paid to the Town, subject to the Alberta Utilities Commission (AUC) approval. The current Franchise Fee is 20% with a cap of 35%. The Franchise Fee generated \$759,140 in 2023 and is estimated to generate \$853,164 in 2024 and \$812,312 in 2025.

**OTHER COMMENTS:** This Franchise Agreement grants APEX Utilities the exclusive right within the municipal service area to provide a natural gas distribution service, to construct, to operate and maintain the natural gas distribution system, and to use designated roads, right of ways, and municipal lands necessary to provide the natural gas distribution service. In consideration of the exclusive right granted, APEX Utilities agrees to pay the Town a franchise fee calculated as a percentage of APEX's actual revenue in that year from the delivery revenues charged in the municipality (excluding amounts refunded or collected pursuant to third-party riders). The Franchise fees are recovered from all consumers of natural gas, not just taxable properties.

Under the franchise agreement, the franchise fee paid to the Town is “in addition to municipal taxes and other levies or charges made by the Municipality against the Company, its land and buildings, linear property, machinery and equipment and the Distribution System” (section 8 of the Agreement). As such, APEX Utilities Inc. continues to pay both a franchise fee and linear taxes. Over the term of the Agreement, the Town has received:

<b>Year</b>	<b>Franchise Fee</b>	<b>Municipal Portion of Linear Tax</b>
2015	\$517,239	\$30,079.97
2016	\$532,709	\$30,664.70
2017	\$601,102	\$31,484.57
2018	\$638,993	\$36,152.89
2019	\$677,090	\$39,236.51
2020	\$735,082	\$41,039.20
2021	\$712,279	\$43,459.73
2022	\$761,903	\$43,011.11
2023	\$753,682	\$44,850.74
2024	\$856,879 (estimate)	\$48,559.02
2025	\$812,312 (estimate)	

The franchise fee cap of 35% is a provision under the franchise agreement. The franchise fee cap and the franchise fee may only be changed with AUC approval.

Since the current Natural Gas Franchise Agreement was signed in October 2015, the franchise fee percentage has remained at 20%. This percentage has not changed since 2003.

The Town has received correspondence from APEX Utilities Inc. dated August 29, 2024, advising of the franchise fee revenue forecast for the 2025 franchise fee which is anticipated to be \$40,852 less than the estimated amount for 2024. Should the Town wish to change the franchise fee, a request for the change must be made in writing and must be received by APEX on or before November 15<sup>th</sup>, 2024. It is estimated that increasing the franchise fee from 20% to 21% (adding 1%), would generate \$41,000 in revenue, which would ensure the franchise fee revenue from APEX is similar to 2024.

**REPORT/DOCUMENT:**    Attached    Available    NIL

1. Letter from APEX Utilities Inc.
2. Natural Gas Distribution System Franchise Agreement

**DESIRED OUTCOMES:** To increase the APEX Utilities Inc. Franchise Fee from 20% to 21% beginning January 1, 2025.

**OPTIONS:**

1. Direct Administration to initiate the process to increase the franchise fee to 21%.
2. Direct Administration to inform APEX that the Town does not want to increase the franchise fee.

---

**RECOMMENDATION: THAT Council direct Administration to initiate the process to increase the APEX Utilities Inc. Franchise Fee to 21%.**

---

**FINANCIAL:** The increase to 21% is estimated to add a \$41,000 in revenue to the 2025 estimated franchise fee as per APEX, aligning the 2025 Operating Budget revenue from this franchise fee to the 2024 revenue.



---

Renee Stoyles  
General Manager of Corporate Services



---

Bill Rogers  
Chief Administrative Officer