

TOWN OF BONNYVILLE

REQUEST FOR DECISION

Date: September 4, 2024

Submitted By: Administration

Meeting Date: September 10, 2024

SUBJECT: ATCO Electric Distribution Revenue Forecast

BACKGROUND: The Town of Bonnyville and ATCO Electric Ltd. entered into a ten (10) year Electric Distribution System Franchise Agreement on August 7, 2013, and renewed in 2022 for an additional five (5) years.

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 6.8% with a cap of 20%. The Franchise Fee generated \$569,827 in 2023 and is estimated to generate \$596,622 in 2024 and forecasted to be \$605,618 in 2025.

OTHER COMMENTS: This Franchise Agreement grants ATCO the exclusive right within the municipal service area to provide an electric distribution service, to construct, to operate and maintain the electrical distribution system, and to use designated roads, right of ways, and municipal lands necessary to provide the electrical distribution service. In consideration of the exclusive right granted, ATCO agrees to pay the Town a franchise fee calculated as a percentage of ATCO’s actual revenue in that year from the distribution tariff rate charged in the municipality (excluding amounts refunded or collected pursuant to third-party riders). The Franchise fees are recovered from all consumers of electricity, 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, ATCO continues to pay both a franchise fee and linear taxes. Over the term of the Agreement, the Town has received:

Year	Franchise Fee	Municipal Portion of Linear Tax
2013	\$384,033	\$37,428.12
2014	\$445,428	\$34,565.66
2015	\$461,066	\$34,293.35
2016	\$449,741	\$38,527.52
2017	\$468,272	\$44,340.61
2018	\$489,787	\$51,837.65
2019	\$510,348	\$55,818.23
2020	\$485,022	\$59,574.82
2021	\$496,116	\$63,652.47
2022	\$595,551	\$63,764.80
2023	\$569,827	\$73,459.06
2024	\$596,622 (estimate)	\$81,887.14
2025	\$605,618 (estimate)	

The franchise fee cap of 20% is a provision under the franchise agreement. The franchise fee cap and the franchise fee may only be changed with AUC approval. Franchise fees rates range from 0% to 20%. There does not seem to be any formula or rules on changing rates except that they are at the discretion of the municipality and must be approved by the AUC.

Since the current Electrical Franchise Agreement was signed in August 2013, the franchise fee percentage has remained at 6.8%. This percentage has not changed since 2003. Since 2022, franchise revenue is only forecasted to increase by 1.69%; far less than the inflationary expenditures the Town has experienced over the 4-year period.

The Town has received correspondence from ATCO dated August 14, 2024, advising of the distribution revenue forecast for the 2025 franchise fee. Should the Town wish to change the franchise fee, a request for the change must be made in writing and must be received by ATCO on or before October 1st, 2024. It is estimated that increasing the franchise fee by 0.7% to 7.5% would generate an additional \$71,000 in revenue. The average electricity bill of \$250 would increase by approximately \$1.75 per month for a total of \$18.75 per month.

REPORT/DOCUMENT: Attached Available NIL

1. Letter from ATCO Electric Re: Forecast for 2025 Franchise Fee Revenue
2. Bylaw No. 1403-13 including the Franchise Agreement
3. Letter from ATCO Re: 5 Year Franchise Agreement Extension

DESIRED OUTCOMES: To increase the ATCO Electric Franchise Fee from 6.8% to 7.5% beginning January 1, 2025.

OPTIONS:

1. Direct Administration to initiate the process to increase the franchise fee to 7.5%.
2. Direct Administration to inform ATCO that the Town does not want to increase the franchise fee.

RECOMMENDATION: THAT Council direct Administration to initiate the process to increase the franchise fee to 7.5%.

FINANCIAL: The increase of 0.7% is estimated to add an additional \$71,000 in revenue to the 2025 Operating Budget.



Renee Stoyles
General Manager of Corporate Services



Bill Rogers
Chief Administrative Officer