



Update on New Franchise Agreements for Electricity and Natural Gas

C2024-0921

2024 September 17

Previous Council direction

On 2024 March 18, Council directed Administration to design and implement a revised methodology that aligns with the Quantity Only model, to transition The City in how it collects Local Access Fees from electricity and franchise fees from natural gas starting from 2027 January 01. The revised methodology is to be based on the following principles:

- A. Build a model that will provide more stability and predictability than the current model in how much The City collects in revenue.
- B. Support affordability concerns of Calgarians and businesses.
- C. Minimize shifts across user classes with the intent of not materially shifting the financial responsibility from one user class to another.
- D. Maintain and improve The City's financial sustainability ensuring The City continues to collect at a minimum the currently budgeted Local Access Fee and Franchise Fee amounts from both electricity and natural gas.
- E. Build a model that will continue to support both The City's operating and capital budgets.

On 2024 July 30, Council reconsidered their decision on 2024 March 18 regarding the implementation date for the Quantity Only model and directed Administration to:

- a. Target 2025 January 1 as the implementation date; and
- b. Ensure The City is fully compliant with *The Utilities Affordability Statutes Amendment Act, 2024* by 2025 March 17.

Recommendations

That Council:

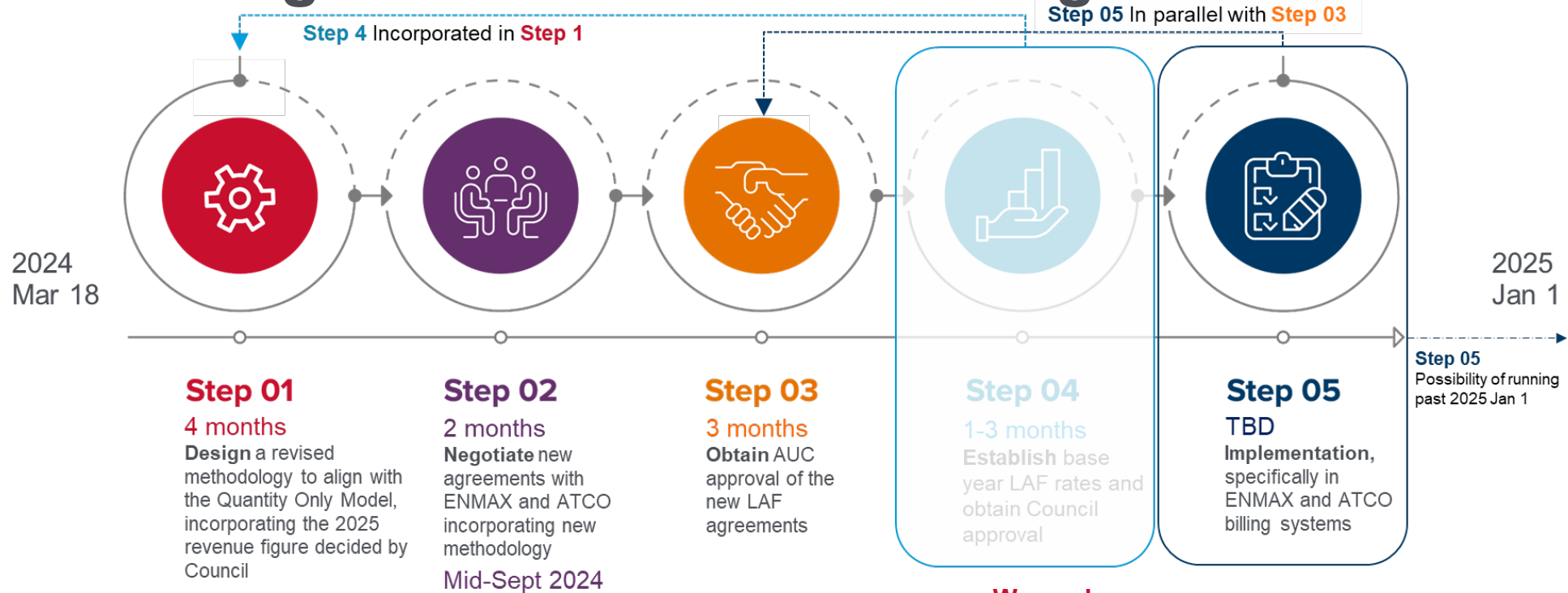
1. Authorize a new franchise agreement for electricity (Attachment 5) aligned to the Quantity Only methodology.
2. Give first reading to Bylaw 42M2024 (Attachment 4).
3. Direct that:
 - a. the Report and Attachments 2, 3, 4, 5 and 8 be held confidential pursuant to Section 23 (local public body confidences) of the *Freedom of Information and Protection of Privacy Act*, to be released publicly when Council rises and reports;
 - b. the Closed Meeting Discussions and the Confidential Attachments 1, 6 and 7 be held confidential pursuant to Section 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed no later than 2027 December 31; and
 - c. notwithstanding recommendation 3b, that the Closed Meeting Discussions and the Confidential Attachments 1, 6 and 7 be released to Corporate Planning and Performance, to be shared with Administration, only where required, to support next steps.

Key messages

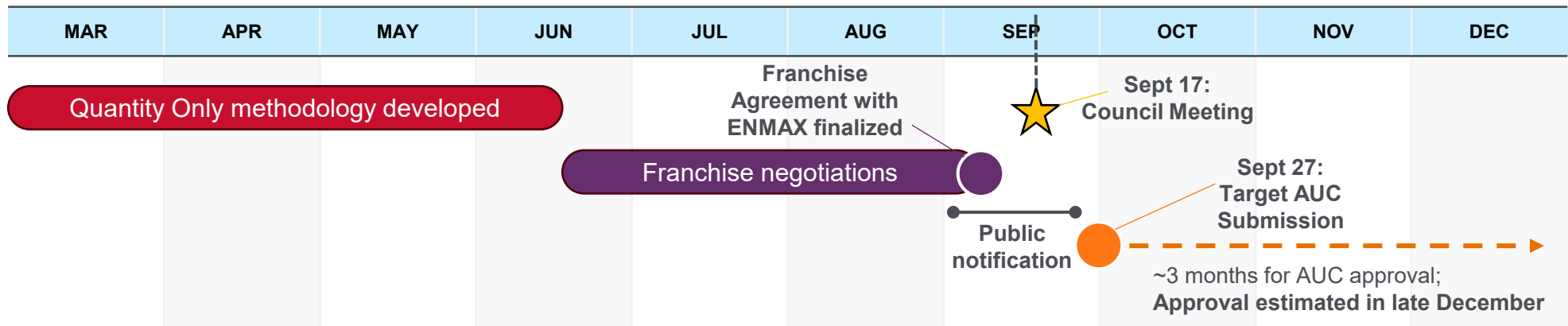
- To improve affordability for Calgarians, we are implementing a new franchise fee model for electricity and natural gas to eliminate the current tie to fluctuating market rates and implement instead a transparent flat rate directly tied to the amount of energy used.
- On 2024 July 30 Council approved a revised timeline of 2025 January 1 for implementation of a Quantity Only model for The City to collect Local Access Fees from electricity and franchise fees from natural gas.
- Administration worked with ENMAX to develop a new franchise agreement and a new franchise fee structure.
- For electricity, Administration established a Quantity Only model Local Access Fee of \$0.015507/kWh for all customers for 2025, which can be adjusted in subsequent years through Council direction.
- The public notification process is already in progress so the public and interested parties have an opportunity to provide feedback on the new Local Access Fee rate.
- Upon approval and Council direction, we will support ENMAX in filing the new franchise agreement and Local Access Fee structure with the Alberta Utilities Commission by 2024 September 27.
- Negotiations with ATCO Gas have progressed but more time is required to finalize the rates and agreement.



Progress on new franchise agreements and fees



We are here





New franchise fee rate for electricity



\$0.015507/kWh

for all customers (residential and non-residential) for 2025

Rate Class	Current (Total Bill \$)	New Quantity Only rate \$0.015507/kWh	Amount difference (\$)	% difference
Residential	72,310,677	50,880,740	(21,429,937)	-30%
Small Commercial	10,166,756	8,595,018	(1,571,737)	-15%
Medium Commercial	27,158,904	21,456,708	(5,702,196)	-21%
Large Commercial – Secondary	43,723,297	36,299,414	(7,423,883)	-17%
Large Commercial – Primary	25,409,417	25,175,033	(234,384)	-0.9%
Streetlighting	900,673	535,430	(455,243)	-46%
Large Distributed Generation	432,495	557,658	125,163	29%
TOTAL	180,102,219	143,500,001	(36,692,217)	-20%

Average monthly cost to an **average residential customer**



\$7.91/month in 2025
from an estimated
\$11.24/month in 2024

Benefits of the new electricity franchise fee rate



\$0.015507/kWh

for all customers (residential and non-residential) for 2025

- ▶ Simple, easy to understand fixed rate
 - ▶ Provides consumers with more clarity, predictability and control
 - ▶ Financial incentive to reduce energy consumption
 - ▶ Stable revenue source for The City, minimizing variances
 - ▶ Minimizes shift in financial responsibility between classes
 - ▶ Minimizes shift in amounts paid from current to new model
- ▶ Equity across customer classes



Public input solicited

Public Notice

Notice of application to be filed for approval with the Alberta Utilities Commission for a new electricity franchise agreement between The City of Calgary and ENMAX Power Corporation

Application summary:

ENMAX Power Corporation will file an application for a new franchise agreement with The City of Calgary, following the submission deadline indicated below.

The franchise agreement will, subject to approval, continue to allow ENMAX Power Corporation the exclusive right to deliver electricity to the residents of The City of Calgary for approximately 20 years from the effective date of the franchise agreement.

The franchise fee rate rider percentage will change from 11.11 per cent of Distribution Tariff charges and 11.11 per cent of the monthly RRO Energy charge to approximately 19.2 per cent of Distribution Tariff charges (or \$0.015507 per kilowatt-hour consumed) effective January 1, 2025. The average monthly franchise fee for an average residential customer is forecast to decrease to \$7.91 a month in 2025, down 30 per cent from an estimated \$11.24 a month in 2024. An average residential customer uses about 6,119 kilowatt-hours per year.

Additional information may be obtained online at www.calgary.ca/franchisefeeupdate.

For more information, or to send your objections, concerns about or support for the application, contact ENMAX Power Corporation or The City of Calgary in writing on or before September 24, 2024 at:

<p>ENMAX Power Corporation Stakeholder Relations 141 50th Ave. S.E. Calgary, AB T2G 4S7 Email: stakeholderrelations@enmax.com</p>	<p>The City of Calgary Regulatory Affairs 800 Macleod Tr. S.E. P.O. Box 2100, Stn. M Calgary, AB T2P 2M5 Telephone: 311 Email: franchisefee@calgary.ca</p>
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Any submissions received will become part of the public record and the application to the Alberta Utilities Commission, unless you request otherwise.

For more information on franchise fees or how your submission will be used, please contact either ENMAX Power Corporation or The City of Calgary at the addresses listed above.

Personal information in your submission is collected under the authority of section 33(c) of the Freedom of Information and Protection of Privacy Act.

A copy of the new franchise agreement may be reviewed by the public during office hours, 8 a.m. to 4:30 p.m., Monday to Friday, at the City Clerk's Office, Corporate Records Section, Ground Floor, Administration Building (Municipal Complex), 313 7th Ave. S.E., Calgary, AB.

- Newspaper: 2024 Sept 4 and 2024 Sept 11 publication of a public notice in the Calgary Herald
- Digital advertising: Online ads expecting 450k impressions
- Social media: Posts on Facebook, Threads, Nextdoor and LinkedIn
- We are collecting feedback until 2024 Sept 24.
- This feedback, along with responses from The City, will be included in ENMAX's filing with the Alberta Utilities Commission.

Recommendations

That Council:

1. Authorize a new franchise agreement for electricity (Attachment 5) aligned to the Quantity Only methodology.
2. Give first reading to Bylaw 42M2024 (Attachment 4).
3. Direct that:
 - a. the Report and Attachments 2, 3, 4, 5 and 8 be held confidential pursuant to Section 23 (local public body confidences) of the *Freedom of Information and Protection of Privacy Act*, to be released publicly when Council rises and reports;
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