



# New Franchise Fees for Electricity

C2024-0921

2024 September 17



# New ENMAX franchise fee rate – quantity only model



**Universal rate: \$0.015507/kWh**  
for all customers (residential and non-residential) for 2025

*Franchise fee rates can be adjusted in future years*



### Benefits

- ✓ Simple, easy to understand fixed rate
- ✓ More stability and predictability
- ✓ Customers have control over the amount of franchise fees they pay (based on consumption)
- ✓ Nearly all rate classes will see a decrease in year-over-year franchise fees paid
- ✓ Minimizes shift in financial responsibility between classes
- ✓ Minimizes shift in amounts paid from current to new model
- ✓ Equity across customer classes



### Key Considerations

- “Large Distributed Generation Rate” class will see an increase in year-over-year franchise fees paid, solely borne by the Bonnybrook Wastewater Treatment Plant
- Three rate classes have a “franchise fee as a % of the Distribution Tariff” figure in excess of 20.0 per cent

**Estimated 2025 revenue:**  
**\$143.5M**, a \$36.7M decrease from the existing method.



**Better aligns to what The City budgets for**



Overall franchise fee as a % of the Distribution Tariff is **forecast to be 19.2 per cent for 2025**, under the 20.0 per cent cap specified by the Alberta Utilities Commission.



Franchise fee revenue would vary by approximately \$500,000 for every 1 per cent variance based on forecasting variances.



# 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%
<b>TOTAL</b>	<b>180,102,219</b>	<b>143,500,001</b>	<b>(36,692,217)</b>	<b>-20%</b>

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



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

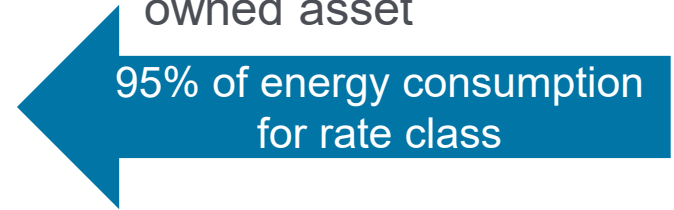


# Context for Large Distributed Generation customers

Large Distributed Generation Rate Class Customer Breakdown					
Customer	Consumption (kWh)	Est Total Franchise fee Charges for 2024	New Quantity Only rate \$0.015507/kWh	Difference (\$)	Difference (%)
Customer 1	6,585	\$1,151.74	\$102.12	(\$1,049.62)	-91%
Customer 2	4,905	\$811.68	\$76.07	(\$735.61)	-91%
Customer 3	7,250	\$945.98	\$112.43	(\$833.55)	-88%
Customer 4	7,369	\$693.25	\$114.28	(\$578.97)	-84%
Customer 5	42,858	\$1,111.30	\$664.60	(\$446.70)	-40%
Customer 6	39,951	\$633.70	\$619.53	(\$14.17)	-2%
Customer 7	41,529	\$648.31	\$644.00	(\$4.31)	-1%
<b>Bonnybrook</b>	<b>2,814,246</b>	<b>\$31,934.70</b>	<b>\$43,640.52</b>	<b>\$11,705.82</b>	<b>37%</b>
<b>TOTAL</b>	<b>2,964,696</b>	<b>\$37,930.66</b>	<b>\$45,973.55</b>	<b>\$8,042.89</b>	<b>21%</b>

Bonnybrook Wastewater Treatment Plant, City-owned asset

95% of energy consumption for rate class



In consultation with The City’s financial managers responsible for this asset, it was determined that an increase of ~\$12,000 would be an acceptable increase in franchise fees paid provide wastewater treatment services to Calgarians.



# ENMAX franchise fee rate analysis

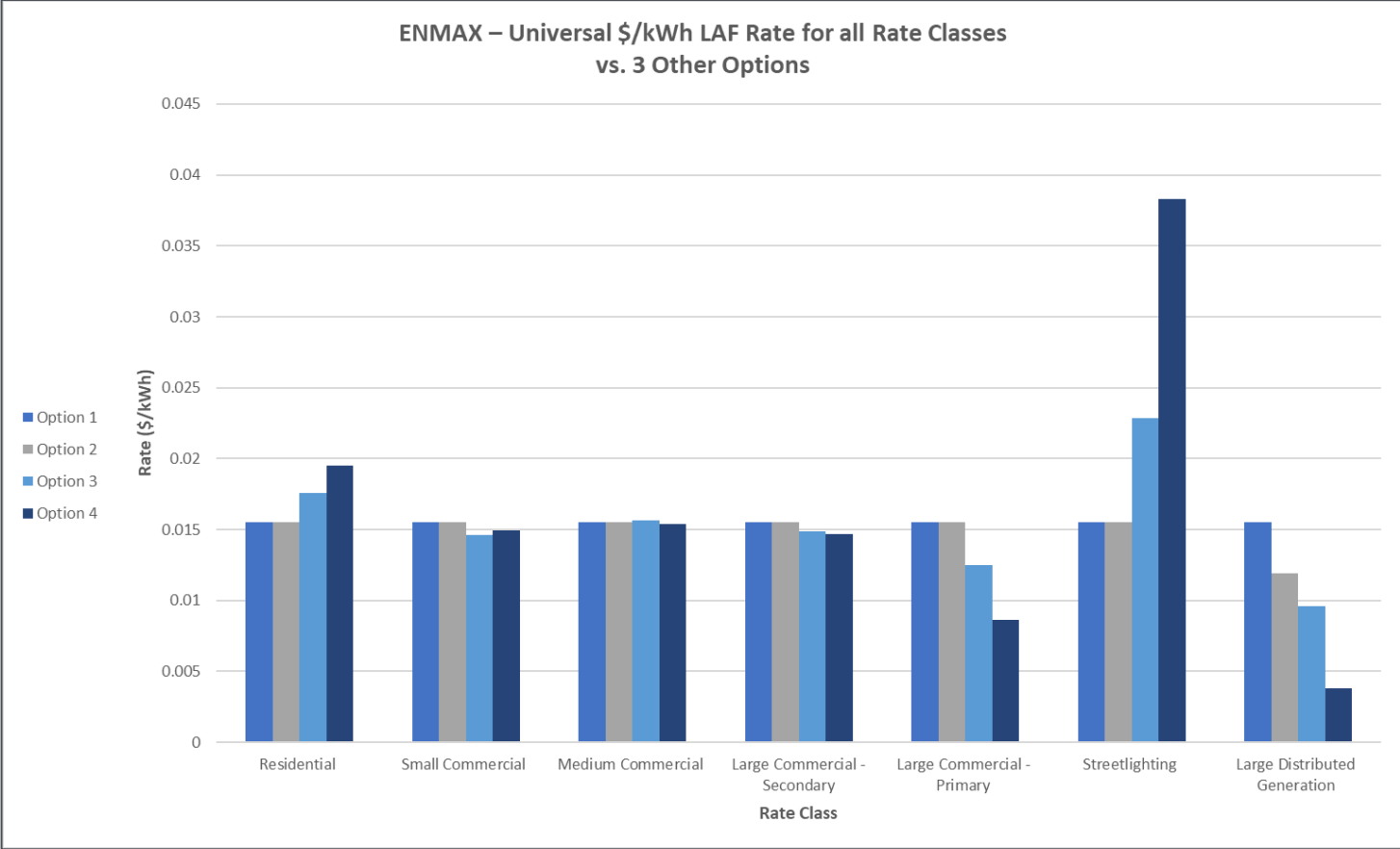
Administration identified and analyzed 4 rate options before deciding to move forward with Option 1

**Option 1:** Universal franchise fee rate for all rate classes

**Option 2:** Universal franchise fee rate for all classes except Large Distributed Generation Rate

**Option 3:** Variable franchise fee rate so that all rate classes experience the same % decrease in 2025 franchise fee paid (-20.36%)

**Option 4:** Uniform franchise fee as a % of the Distribution Tariff





# Key considerations

## Alignment with Council's direction to



## Develop a rate and rate-class-proportion model that



- Provide **stability and predictability** for customers and The City's revenue.
- Support **affordability concerns** of Calgarians and businesses.
- Minimize shifts across user classes with the intent of not materially shifting the **financial responsibility** from one user class to another.
- Maintain and improve The **City's financial sustainability** ensuring The City continues to collect at a minimum the currently budgeted franchise fee amounts.
- Build a model that will continue to support both The City's **operating and capital budgets**.

- Is **transparent, clear, and simple** to understand.
- Results in a **decrease in year-over-year franchise fees paid** for all or most rate classes.
- **Avoids "rate shock"**\*
- **Achieves equity** across rate classes
- Equates to an overall amount **under the 20% franchise fee rate cap** for electricity set by the AUC.

\* Rate shock refers to when a change in franchise fee rates results in a forecasted increase in amounts paid greater than 10% from the prior year



# New franchise fee rate options analyzed

OPTIONS	 <b>BENEFITS</b>	 <b>KEY CONSIDERATIONS</b>
<p><b>2. Universal franchise fee rate for all classes except Large Distributed Generation Rate</b></p>	<ul style="list-style-type: none"> <li>✓ Addresses potential rate shock issue with Large Distributed Generation Rate class.</li> </ul>	<ul style="list-style-type: none"> <li>• Unequitable rates, with franchise fee for Large Distributed Generation Rate being 23% lower than all other rate classes.</li> <li>• Largest consumers will pay a lower franchise fee rate.</li> </ul>
<p><b>3. Variable franchise fee rate so that all rate classes experience the same % decrease in 2025 franchise fee paid (-20.36%)</b></p>	<ul style="list-style-type: none"> <li>✓ All rate classes are forecast to receive an equitable decrease in their 2025 franchise fee average cost (-20.36%).</li> <li>✓ No rate shock for any rate class.</li> </ul>	<ul style="list-style-type: none"> <li>• Unequitable rates, with franchise fee for Residential class being 83% higher than the Large Distributed Generation Rate class.</li> <li>• Largest consumers (Large Distributed Generation Rate class) will pay the lowest franchise fee rate.</li> <li>• Two individual rate classes (Large Commercial and Large Distributed Generation Rate) have a “franchise fee as a % of the Distribution Tariff” figure in excess of 20.0 per cent.</li> </ul>
<p><b>4. Uniform franchise fee as a % of the Distribution Tariff</b></p>	<ul style="list-style-type: none"> <li>✓ Though franchise fee rates per kWh vary from a high of \$0.019524 for residential to a low of \$0.003789 for Large Distributed Generation Rate, the franchise fee as a % of the distribution tariff is uniform across all rate classes.</li> <li>✓ Rate shock exists for the Streetlighting Rate class (34%).</li> <li>✓ Most similar Quantity Only model to a Delivery Tariff model (the most commonly used franchise fee methodology in Alberta).</li> </ul>	<ul style="list-style-type: none"> <li>• Unequitable rates, with franchise fee for Residential class being 415% higher than the Large Distributed Generation Rate class.</li> <li>• Residential consumers will have the highest franchise fee burden (45%), compared to a burden of 35% under a universal franchise fee rate.</li> <li>• Largest consumers (Large Distributed Generation Rate class) will pay the lowest franchise fee rate.</li> </ul>