

# Background and Previous Council Direction

## Background

Franchise fees are payments that The City receives from utility companies in lieu of property taxes for letting them build, run, and maintain utilities on City of Calgary land, pursuant to the Municipal Government Act s. 360(3).

On 2024 March 18, Council approved changing how The City calculates franchise fees on utility providers to align with the Quantity Only methodology. As a result, new franchise agreements were signed with Enmax and ATCO, and associated Tax Agreements are required. Enmax has completed their Tax Agreement.

In October 2024, Council authorized ATCO's new franchise agreement and gave first reading to Bylaw 44M2024, enacting the Agreement. Second and third readings were withheld pending approval of the Agreement by the Alberta Utilities Commission. In February 2025, the Alberta Utilities Commission approved the Agreement. Subsequently, Council gave second and third readings to the Bylaw. In conjunction with the approved ATCO Franchise Agreement, a new Tax Agreement is required to ensure stable and predictable consumer franchise fees for consumers.

## Previous Council Direction

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2025 February 04	<a href="#">C2025-0149</a>	<p><b>Tabulation of Bylaw 44M2024</b></p> <p>That Council reconsider its decision with respect to Report C2024-1098, Recommendation 3 as follows:</p> <p style="padding-left: 40px;">“3. That Council: Withhold second and third readings of Bylaw 44M2024 until the Alberta Utilities Commission approves a new franchise agreement between The City of Calgary and ATCO Gas.”.</p> <p>That with respect to Report C2024-1098, Recommendation 3 be adopted, after amendment:</p> <p style="padding-left: 40px;">3. That Council: give second and third readings to Proposed Bylaw 44M2024.</p>
2024 October 29	<a href="#">C2024-1098</a>	<p><b>New Franchise Agreement for Natural Gas</b></p> <p>That Council:</p> <ol style="list-style-type: none"> <li>1. Authorize a new franchise agreement for natural gas (Revised Attachment 3) aligned to the Quantity Only methodology;</li> <li>2. Give first reading to Bylaw 44M2024 (Attachment 4);</li> <li>3. Withhold second and third readings of Bylaw 44M2024 until the Alberta Utilities Commission approves a new franchise agreement between The City of Calgary and ATCO Gas;</li> <li>4. Direct that the Cover Report and Attachments 1, 2, Revised Attachment 3, 4, 5, and 7 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; and</li> <li>5. Direct that the Closed Meeting discussions and Attachments 3 and 6 remain 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 2026 December 31.</li> </ol>
2024 September 17	<a href="#">C2024-0921</a>	<p><b>Update on New Franchise Agreements for Electricity and Natural Gas</b></p> <p>Council approved Administration’s recommendation to authorize a new franchise agreement for electricity aligned to the Quantity</p>

		Only methodology and gave first reading to Bylaw 42M2024. Administration provided a confidential update on natural gas negotiations.
2024 July 30	<a href="#">C2024-0840</a>	<p><b>Implementing a Quantity Only Model for Franchise Fees</b></p> <p>Administration presented an expedited timeline for the development and implementation of the new Quantity Only methodology for franchise fees of 2025 January 1.</p>
2024 June 25 (postponed to 2024 July 16)	<a href="#">C2024-0618</a>	<p><b>Strategic Approach to Mid-Cycle Adjustments to the 2023- 2026 Service Plans and Budgets</b></p> <p>Administration presented a confidential report to Council, a portion of which pertained to setting the target revenue amounts for electricity and natural gas franchise fees. On 2024 July 17 Council approved target revenue amounts of</p> <ul style="list-style-type: none"> <li>(i) Electricity franchise fees of \$143.5M; and</li> <li>(ii) Natural gas franchise fees of \$69.9M for a total target revenue from these fees of \$213.4M.</li> </ul>
2024 May 14	<a href="#">EC2024-0624</a>	<p><b>Standing Budget Item - City-Wide Growth and Local Access Fee Developments</b></p> <p>Administration provided a verbal update to the Executive Committee outlining its initial interpretation of Bill 19 and indicated that a new franchise fees project plan is forthcoming.</p>
2024 March 18	<a href="#">C2024-0251</a>	<p><b>Adopting a Quantity Only Model for Franchise Fees</b></p> <p>Council approved Administration's recommendation to adopt the Quantity Only methodology for calculating electricity franchise fees, with an implementation date of 2027 January 1. An annual amount of \$10M from positive variance in 2025 and 2026 was approved as part of the recommendation to go towards energy poverty and affordability initiatives</p>