




2010

Bill 203

Municipal Franchise Agreements & Fees

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What is Bill 203?

- Bill 203 is a Public Members Bill that was originally carried by Jonathon Denis, MLA Calgary-Egmont.
- Currently Bill 203 is sponsored by Kyle Fawcett, MLA Calgary-North Hill in the third session of the 27th Legislature.
- If adopted,
- Bill 203 also suggests that Service Alberta would change the way municipalities collect franchise fees for the use of utility right-of-ways. It would take a more active role in ensuring the rates municipalities charge are fair and transparent regarding what they are being used for. Currently Service Alberta has no role in monitoring franchise agreements.

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What are the Issues With Bill 203?

- Although Bill 203 was introduced in the third session of the 27th Legislature, the AUMA has **NOT** been consulted with and was unaware of its existence.
- Currently the AUMA has still **NOT** had an opportunity review Bill 203 and is unaware of its contents in its entirety.
- The AUMA does **NOT** support any changes in the way Franchise Agreements and Fees are currently managed.
- Although a meeting has been scheduled with MLA Kyle Fawcett to discuss Bill 203, the AUMA does **NOT** consider this effective consultation.
- Some investor owned utilities have expressed concern that municipalities have the ability to charge franchise fees. The AUMA does **NOT** support their views.

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Franchise Agreements & Fees

Governed by Legislation

- Under section 360 of the *Municipal Governance Act*, municipalities have the authority to charge fees in lieu of charging property taxes for access to their lands to construct, maintain, and operate distribution systems.
- The *Municipal Governance Act* also details requirements how fees will be determined, right to purchase utility infrastructure, and how renewals of franchise agreements are managed.
- This legislation allows local municipalities to govern their own unique circumstances and manage how fees are set.
- Franchise fees are currently set and approved by municipal council as is part of the budget process and advertised.

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Governed by Legislation – Alberta Utilities Commission (AUC)

- Currently most municipalities are utilizing an AUC approved franchise Agreement template developed by the AUMA.
- The approved template allows municipalities to charge a percentage of the distribution and transmission charges; it is **NOT** based on a percentage of the total bill.
- The percentage of fees that can be charged is capped at 20%.
- All changes in the percentage of fees charged are filed with the AUC.

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Purpose of Franchise Fees

- Support the building and maintenance of transportation systems within the municipality as most distribution systems are on these right-of-ways.
- Pay for energy costs associated with municipal infrastructure used by citizens.
- An approved additional revenue source; currently municipalities only have property tax, grants, and user fees.
- Fees need to be compared to provincial government revenues.
- Promotes and supports economic development.

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Purpose of Franchise Agreements

- Allows for the use of right-of-ways for utility infrastructure.
- Details provisions for relocation of utility and municipal infrastructure.
- Details service level standards for outages, restoration, repairs, and maintenance.
- A mechanism that provides a means for reciprocal indemnification and liability for utility work performed.
- A mechanism that provides specific reporting requirements relating to utility infrastructure.
- A mechanism that enables additional services that may be required by a municipality.

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AUMA Renegotiating a New Franchise Agreement

- Currently AUMA is negotiating a new Franchise Agreement template with FortisAlberta and ATCO Electric.
- The AUMA is using the AUC approved Hinton Franchise Agreement as its template.
- The AUMA has no intention of changing the methodology on how fees are calculated (D&T charges only).
- AUMA will use a consultative process with its members to obtain input on any proposed amendments.
- AUMA will obtain AUC approval when it has completed amending the new Franchise Agreement template.

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