

Ardrossan Natural Gas Franchise Agreement (Ward 5)**Report Purpose**

To provide Council with the recommendation to proceed with negotiation of a Natural Gas Franchise Agreement for the Hamlet of Ardrossan.

Recommendation

THAT Administration negotiate with ATCO Gas & Pipelines for a Natural Gas Franchise Agreement for the Hamlet of Ardrossan that will include a 22% franchise fee, consistent with the County's ATCO Gas & Pipeline Ltd. Franchise Agreement for the Urban Service Area.

Council History

On August 27, 1996 Council approved Bylaw 15-95 approving execution of a Natural Gas Franchise Agreement with ATCO Gas & Pipelines Ltd. for the Urban Service Area.

On June 22, 2010 Council approved Bylaw 55-2009 renewing the Natural Gas Franchise Agreement with ATCO Gas & Pipelines Ltd. for the Urban Service Area.

Strategic Plan Priority Areas

Economy: A Franchise Agreement provides cost-effective servicing through exclusivity and can provide a mechanism for a municipality to receive additional revenues through a franchise fee collected.

Governance: n/a

Social: n/a

Culture: n/a

Environment: n/a

Other Impacts

Policy: n/a

Legislative/Legal: The *Municipal Government Act*, Section 45, provides Council the ability to grant a right, exclusive or otherwise, by agreement to a person to provide a utility service in all or part of the municipality. Section 45(3) directs the municipality to seek approval for such agreements from the Alberta Utilities Commission (AUC).

Interdepartmental: Assessment & Tax, Financial Services

Summary

Strata Development Corp. has requested that Strathcona County enter into a Franchise Agreement with ATCO Gas & Pipelines Ltd. in order to reduce the customer connection charge for new homeowners. ATCO currently charges a customer connection fee dependent on the property location as follows:

- Urban Services Area Pool (with Franchise Agreement): \$900/home
- Urban Rural Pool (Hamlets with urban servicing and lots less than one acre without a Franchise Agreement): \$3,000/home
- Rural Pool: \$7,400/connection

Having a Franchise Agreement for the Hamlet of Ardrossan would give the County the ability to charge franchise fees and would reduce the customer connection charge from \$3,000/home to \$900/home. Without a Franchise Agreement, ATCO is unable to reduce the connection charge based on their policies/practice and regardless of the similarity of servicing costs for ATCO in Ardrossan vs. Sherwood Park.

Currently Strathcona County has a Franchise Agreement with ATCO Gas & Pipelines Ltd. for the Urban Service Area which incorporates a 22% franchise fee. This fee is set by the County as a charge for natural gas facilities on municipal property.

The County has the flexibility with respect to the franchise fee amount; however, given the Franchise Agreement for the Urban Service Area currently includes a 22% franchise fee, Administration recommends this fee be consistent for any future agreement for the Hamlet of Ardrossan from an equity perspective.

If a similar fee was implemented in Ardrossan, approximately \$97/year per household would be charged by ATCO to all homes in Ardrossan regardless of when they connected and what connection charge was paid. Implementing a franchise fee in Ardrossan could create some opposition from existing residents who have already paid the higher-connection charge.

Alternatively, the status quo could continue in Ardrossan (i.e. no franchise agreement). This would mean that ATCO would continue to charge a customer connection fee of \$3,000 per home in Ardrossan. The developer would continue to pay this fee and recover through lot sales and there would be no impact to existing residents.