

CITY OF FORT SASKATCHEWAN

Bylaw C18-15 ATCO Gas Distribution System Franchise Agreement

Motion:

That Council give first reading to Bylaw C18-15 authorizing the City of Fort Saskatchewan to enter into a gas distribution system franchise agreement with ATCO Gas and Pipelines Ltd.

Purpose:

The purpose of this report is to obtain first reading of Bylaw C18-15 to proceed with entering into a renewal of a gas distribution system franchise agreement with ATCO Gas and Pipelines Ltd. (ATCO).

Background:

The utility franchise agreement is an exclusive business arrangement to allow distribution companies access to municipal right-of-ways, to specify the rights and obligations of each party and to provide access to install necessary distribution infrastructure.

The City of Fort Saskatchewan entered into its first exclusive natural gas distribution system franchise agreement with ATCO in 1947. This Bylaw represents a renewal of the franchise agreement for a term of 20 years.

Throughout 2014, AUMA (in conjunction with and on behalf of municipalities), AltaGas Utilities and AtcoGas jointly negotiated a new gas franchise agreement template. On March 20, 2015 the Alberta Utilities Commission (AUC) approved the template for use by municipalities.

Key elements of the agreement include:

- The exclusive right of ATCO to install pipe in municipal right-of-ways for the purpose of delivering gas to customers.
- The City's commitment not to grant similar rights to another company for the term of the agreement.
- ATCO's agreement to bear full responsibility of the distribution system and ensure all services delivered in the City are in accordance with ATCO's Delivery Tariff.

While the majority of the template remains unchanged from the previous agreement, the most impactful change between the two is moving from a prescribed 20% cap to a prescribed 35% cap for a franchise fee that the City may charge. The current gas distribution franchise fee for the City remains at 0.00%. Annually, during budget deliberations, Council reviews and has the ability to change the franchise fee.

Next Steps:

Following first reading of Bylaw C18-15, application will be made by ATCO to the AUC for renewal of the franchise agreement. On behalf of the City, the AUC will then publish a notice of application in a local newspaper. Any objections received by the City or ATCO with respect to the notice of application will be provided to the AUC. Subsequent to publishing the notice of application, the AUC will hold a hearing into the application for renewal and render a decision.

Upon approval of the application for renewal, Bylaw C18-15 will be brought forward to Council for second and third reading.

Financial Implications:

Financial implications would only occur should Council choose to impose a franchise fee.

Internal Impacts:

There are no internal impacts as a result of passing Bylaw C18-15.

Alternatives:

1. That Council give first reading to Bylaw C18-15 authorizing the City of Fort Saskatchewan to enter into a gas distribution system franchise agreement with ATCO Gas and Pipelines Ltd.
2. That Council not proceed with first reading to Bylaw C18-15 authorizing the City of Fort Saskatchewan to enter into a gas distribution system franchise agreement with ATCO Gas and Pipelines Ltd., and advise how they wish to proceed.

Recommendation:

That Council give first reading to Bylaw C18-15 authorizing the City of Fort Saskatchewan to enter into a gas distribution system franchise agreement with ATCO Gas and Pipelines Ltd.

Attachments:

Bylaw C18-15, Natural Gas Distribution System Franchise Agreement

Prepared by:	Brenda Rauckman General Manager, Corporate and Protective Services	Date: June 16, 2015
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Approved by:	Kelly Kloss City Manager	Date: June 18, 2015
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Submitted to:	City Council	Date: June 23, 2015
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