



Edmonton

Bylaw 20959
EPCOR Distribution and Transmission Inc.
Electricity Distribution System Franchise
Agreement

Utility Committee, November 8, 2024
Financial and Corporate Services

Presentation Outline

- Bill 19
 - ◆ Summary
 - ◆ Impact to City

- Electricity Franchise Fees
 - ◆ Agreement (Background)
 - ◆ Options Considered
 - ◆ Recommendation

- Next Steps

Bill 19 - Summary

- Royal Assent May 16, 2024 and proclaimed on June 20, 2024
- Key Objective:
 - ◆ Provide relief for Albertans by making utility bills more affordable through lower local access fees (franchise fees)
 - More alignment on municipal franchise fee rate setting
 - Limit municipalities from generating surplus revenue
 - Stronger regulatory oversight by the Alberta Utilities Commission (AUC)
- Key Changes:
 - ◆ AUC approval of all electricity & gas franchise agreements
 - Municipal owned utilities no longer exempt
 - ◆ Prohibits use of variable rate commodity market prices
 - Expectation is to follow AUC-approved formula

Bill 19 - Impact to City

- Electricity and natural gas franchise agreements will need AUC approval by March 17, 2025
 - ◆ Electricity - EPCOR Distribution and Transmission Inc. (EPCOR)
 - December 4, 2024
 - Previously, AUC approval not required as Utility was municipally owned
 - ◆ Natural Gas - ATCO Gas
 - January 10, 2025
 - Previous agreement already approved by AUC
 - No further action needed to approve formula

Electricity Franchise Fees - Agreement (Background)

- Electricity Agreement with EPCOR
 - ◆ Exclusive right to distribute electricity within the City
 - ◆ Expired December 31, 2023
 - ◆ Extension until March 17, 2025

- Current Franchise Fee Calculation

Franchise Fee Revenue = *Forecasted Annual Franchise Fee Revenue (based on prior year actuals)*

- + *Inflation (year over year change - CPI per Statistics Canada for Edmonton)*
- + *Annual System Growth (contractually agreed amount of 1.5%)*
- + *Shortfall / Overage (based on prior year projected amount)*

2025 Franchise Fee Revenue - Update

Proposed Franchise Fee (FF) Percent	2025 FF Revenue Forecast			OPTION 2 AUC Approved Formula (PREVIOUS VERSION)	Change
	OPTION 2 AUC Approved Formula (REVISED)	OPTION 1 Retain Current Formula	Increase / (Decrease) (REVISED)		
Distribution Revenue Per EDTI *	\$545,066,463				
	<i>Prorated (Mar 17-Dec31)</i>		<i>Prorated (Mar 17-Dec31)</i>		
15.00%	\$ 82,144,558	\$ 83,298,322	\$ (1,153,765)	\$ 81,759,969	\$ 384,588
15.28%	83,298,322	83,298,322	0	83,298,323	(0)
15.50%	84,188,557	83,298,322	890,235	84,485,302	(296,745)
16.00%	86,232,556	83,298,322	2,934,234	87,210,634	(978,078)
16.50%	88,276,555	83,298,322	4,978,233	89,935,966	(1,659,411)
17.00%	90,320,555	83,298,322	7,022,232	92,661,299	(2,340,744)
17.50%	92,364,554	83,298,322	9,066,232	95,386,631	(3,022,077)
17.65%	92,977,754	83,298,322	9,679,431	96,204,231	(3,226,477)
18.00%	94,408,553	83,298,322	11,110,231	98,111,963	(3,703,410)
18.50%	96,452,552	83,298,322	13,154,230	100,837,296	(4,384,743)
19.00%	98,496,552	83,298,322	15,198,229	103,562,628	(5,066,076)
19.50%	100,540,551	83,298,322	17,242,229	106,287,960	(5,747,410)
20.00%	102,584,550	83,298,322	19,286,228	109,013,293	(6,428,743)

Electricity Franchise Fees - Options Considered

		PROS	CONS
OPTION 1	Retain Current Formula	<ul style="list-style-type: none"> • Stable and predictable • Includes true-up for under/over collection 	<ul style="list-style-type: none"> • Limits revenue potential compared to AUC recommended formula • More complex formula
OPTION 2*	% of Applicable Utility Distribution Revenue	<ul style="list-style-type: none"> • Aligns to majority of Alberta Municipalities • Less complex formula • Flexibility to change rate up to AUC maximum (20%) • Follows AUC approved model 	<ul style="list-style-type: none"> • More volatile as forecast risk is borne by the City

→ *Option 2 - Proposed % Rate Options

- ◆ Option 2A - 15.5% (approximately aligned with current formula)
- ◆ Option 2B - 17.7% (average rate of Edmonton Metro Area)
- ◆ Option 2C - 15.5% to 17.7% (range)

Electricity Franchise Fees - Recommendation

→ Option 2A - AUC Recommended Formula with a rate of 15.5%

◆ Formula

$$\text{Franchise Fee Revenue} = \frac{\text{Forecasted Distribution Revenue}}{\text{Franchise Rate}}$$

◆ Minimal impact to ratepayers

→ Future Options for Franchise Fee Rate

◆ Assess appropriateness of adjusting rate (allowable up to 20% per AUC)

- Accompanied by thorough review of the valuation of the exclusive franchise

Next Steps

November 8, 2024

- Electricity Franchise Agreement Bylaw to Utility Committee

November 13, 2024

- Electricity Franchise Agreement Bylaw to Council for three readings

Week of November 11, 2024

- Advertisement of the Electricity Franchise Agreement

December 4, 2024

- Electricity Franchise Agreement filed with AUC
(Application filing deadline for agreements that may not be compliant)

January 10, 2025

- Natural Gas Franchise Agreement filed with AUC
(Application filing deadline for compliant agreements)

March 17, 2025

- AUC to complete review of all applications
 - Bylaw comes into effect
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Questions?