

Background and Previous Council Direction

Background

Prior to 2025, Local Access Fees and Franchise Fees were calculated as 11.11% of the total electricity and natural gas bills (“total bill” methodology), using a proxy for market prices to calculate the deemed value of energy. In 2024, Council directed that the calculation methodology change to a “Quantity Only” model. This model requires ENMAX and ATCO to set a rate per unit of energy that is forecasted to generate the target revenue determined by Council. In 2024, Council set the target revenue at \$213.4 million beginning in 2025. Council’s direction did not include any factor for growth or inflation; therefore the target revenue will remain at that level unless Council approves a change.

Previous Council Direction

The list below details recent reports, conversations and decisions conducted on Local Access Fees in reverse chronological order.

| Date | Report Number | Title | Description |
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| 2024 September 17 | C2024-0921 | Update on New Franchise Agreements for Electricity and Natural Gas | In this confidential update, Council approved the franchise fee target revenue amounts (\$143.5 million for electricity and \$69.9 million for natural gas), and approved the new franchise agreement for electricity aligned to the Quantity Only methodology. |
| 2024 July 30 | C2024-0840 | Implementing a Quantity Only Model for Franchise Fees | Council approved a revised timeline for the implementation of the Quantity Only methodology, now targeting 2025 January 1 as the implementation date. |
| 2024 March 18 | C2024-0251 | Adopting a Quantity Only Model for Franchise Fees | Council directed Administration to design and implement a revised methodology that aligns with the Quantity Only model, to transition The City in how it collects Local Access Fees from electricity and franchise fees from natural gas starting from 2027 January 01 |
| 2023 December 19 | C2023-1180 | Potential Changes to Local Access Fees – Budget Implications and Calgarian Impacts | Postpone Confidential Report C2023-1180, Potential Changes to Local Access Fees – Budget Implications and Calgarian Impacts, C2023-1180, until The City of Calgary receives further clarity from the Government of Alberta about the future of the Regulated Rate Option (RRO) |

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| 2023 November 7; 2023 November 20-22 | C2023-1148 | 2023 November Adjustments to the 2023- 2026 Service Plans and Budgets | During the 2023 November Adjustments to the 2023-2026 Service Plans and Budgets, Council members discussed the anticipated research and analysis of the Local Access Fee (LAF) methodology on the revenue stream reliability and reduction of volatility that would have positive impacts on Calgarians. Council approved a one-time \$10 million support package to provide emergency support to Calgarians experiencing vulnerabilities. Council also approved an increase franchise fee revenue (which also includes Local Access Fees) of \$15 million funding ongoing operating investments. |
| 2023 October 3 | C2023-1042 | The History, Prior Research and Spending of Local Access Fees | Addresses first Council direction from 2023 September 12 presentation to Council C2023-0959. |
| 2023 September 26 | C2023-0960 | Municipal Fiscal Gap | This report identifies a persistent municipal fiscal gap because of the fundamental design of the fiscal model of all orders of government. It presents potential new revenue tools that have the potential, in the future, to contribute to improving municipal finance sustainability. An evaluation criteria framework on revenue options is proposed in this report to support values-based decision-making of Council. |
| 2023 March 21 | C2023-0324 | Approaches for Determining Local Access Fees | A confidential presentation at a Strategic Session of Council, outlining The City's approach to LAF, the economic rationale of the existing approach, along with a preliminary cost-benefit approach to various LAF methodologies available. Council endorsed the continuation of using the current LAF rate and gross revenue methodology. |
| 2023 January 31 | EC2023-0077 | Approaches for Determining Local Access Fees | A confidential presentation to the Executive Committee that outlined The City's approach to LAF, the proportion that LAF are of a typical Albertan's utility bill, and how LAF vary across Alberta. Direction received: Direct Administration to engage Council at the Strategic Meeting of Council on 2023 March 21 to determine the scope of a cost-benefit analysis and implications for maintaining vs changing the current approach to determining local access fees for consideration. |

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| 2017 April 13 | GP2017-0301 | Renewal of The City of Calgary – ENMAX Franchise Fee Agreement | The most recent comprehensive review of the LAF methodology utilized for electricity, brought before the Gas, Power and Telecommunications Committee as a confidential report. The Committee discussed the methodologies of calculating the Franchise Fees used in Alberta and the consequences of using one methodology compared to alternatives. Council endorsed the continuation of using the current franchise fee rate and gross revenue methodology. The report also included six appendices that compared franchise fee methodologies, outlined municipal revenue implications, and outlined the agreement with ENMAX. The ENMAX franchise fee agreement was later approved by the Alberta Utilities Commission and is effective for 2018 to 2037. |
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