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The 27th Legislature
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Standing Committee on Community Services

Bill 203, Municipal Government
(Local Access and Franchise Fees)
Amendment Act, 2010

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Third Session

Standing Committee on Community Services

Doerksen, Arno, Strathmore-Brooks (PC), Chair
Hehr, Kent, Calgary-Buffalo (AL), Deputy Chair

Allred, Ken, St. Albert (PC)
Anderson, Rob, Airdrie-Chestermere (WA)
Benito, Carl, Edmonton-Mill Woods (PC)
Bhullar, Manmeet Singh, Calgary-Montrose (PC)
Chase, Harry B., Calgary-Varsity (AL)
Johnston, Art, Calgary-Hays (PC)
Notley, Rachel, Edmonton-Strathcona (ND)
Rodney, Dave, Calgary-Lougheed (PC)
Sarich, Janice, Edmonton-Decore (PC)
Sherman, Dr. Raj, Edmonton-Meadowlark (PC)*
Taylor, Dave, Calgary-Currie (Ind)

* substitution for Dave Rodney

Bill 203 Sponsor

Fawcett, Kyle, Calgary-North Hill (PC)

Department of Municipal Affairs Participant

Blaine Alexander	Manager, Municipal Legislation, Local Government Services

Support Staff

W.J. David McNeil	Clerk
Louise J. Kamuchik	Clerk Assistant/Director of House Services
Micheline S. Gravel	Clerk of *Journals*/Table Research
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
Shannon Dean	Senior Parliamentary Counsel/Clerk of Committees
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of *Alberta Hansard*

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Standing Committee on Community Services

Participants

2 p.m. Wednesday, September 8, 2010

[Mr. Doerksen in the chair]

The Chair: Good afternoon, ladies and gentlemen. I'd like to welcome you to this meeting of the Standing Committee on Community Services. Welcome, everyone, to the meeting. We have a number of people joining us via conference call, and Mr. Anderson will be joining us a little later on via a phone call as well.

I'm going to ask that everyone introduce themselves. We'll begin with the people who are joining us by teleconference to this point already. We have Mr. Hehr and Mr. Chase, if you'd introduce yourselves, please.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. Chase: Harry Chase, MLA, Calgary-Varsity.

Mr. Johnston: Good afternoon, Art Johnston, Calgary-Hays.

Mr. Fawcett: Hello. Kyle Fawcett, Calgary-North Hill.

Mr. Benito: Carl Benito, Edmonton-Mill Woods.

Mr. Bhullar: Manmeet Bhullar, Calgary-Montrose.

Mr. Allred: Ken Allred, St. Albert.

Dr. Massolin: Good afternoon. Philip Massolin, committee research co-ordinator and table officer, Legislative Assembly Office.

Mr. Alexander: Good afternoon. Blaine Alexander, manager, legislation, Alberta Municipal Affairs.

Mrs. Sarich: Good afternoon. Janice Sarich, MLA for Edmonton-Decore.

Ms Rempel: Jody Rempel, committee clerk, Legislative Assembly Office.

The Chair: My name is Arno Doerksen. I'm chair of the committee and the MLA for Strathmore-Brooks. I will also confirm for the record that pursuant to Standing Order 56(2.1) to (2.4) Dr. Sherman is substituting for Mr. Rodney this afternoon. Dr. Sherman just stepped in. Welcome to the meeting. Would you introduce yourself for the record, please?

Dr. Sherman: Hi. Raj Sherman, MLA for Edmonton-Meadowlark.

The Chair: Has there been another person joining us on the line? Mr. Anderson, are you there? It sounded like there was somebody else joining us. Mr. Anderson will likely be joining us a little later on, and we'll acknowledge his presence at that time.

I'm also going to suggest that we want to approve the agenda as it's circulated. I'm going to suggest that we take a brief five-minute break between items 4(a)(iii) and 4(a)(iv), which is between the presentations from the city of Grande Prairie and the city of Calgary, just a quick five-minute break. Any other changes or additions or deletions from the agenda as it's been circulated? If not, a motion to approve the agenda. Ms Sarich. All in favour? That's carried. Thank you.

We also want to approve the minutes of the previous meeting, which was held on June 28, 2010. Those minutes have been circulated to the committee members. Are there any errors or omissions noted in those minutes? If not, a motion to approve the minutes as circulated would be in order. Mr. Johnston. All in favour of approval of those minutes? That's carried. Thank you.

We are meeting this afternoon to again consider Bill 203, the Municipal Government (Local Access and Franchise Fees) Amendment Act, 2010. At our last meeting the committee agreed to invite oral presentations from the six stakeholder groups who had sent in submissions on Bill 203 and had indicated an interest in appearing before the committee. Representatives from each of these groups are scheduled to join us today. We've set up a 20-minute time slot that has been set aside for each group, including up to 10 minutes of presentation time followed by about 10 minutes for questions from committee members.

At this point I'd like to welcome the representatives that have come to represent the various organizations that will be presenting this afternoon and invite the representatives from the Alberta Urban Municipalities Association to join us at the table, if you would, please. I'd like to remind presenters that there is no need to manage the microphones. They'll come on automatically, and they're handled remotely. I'll also remind presenters that the presentations are part of the public record. These meeting procedures are recorded and transcribed by *Alberta Hansard*, and a live audiostream is broadcast on the Internet.

At this point I'd like to welcome Mr. John McGowan, representing the Alberta Urban Municipalities Association, and invite you to present to the committee for about 10 minutes. Then we'll have a question-and-answer period after that, please.

Alberta Urban Municipalities Association

Mr. McGowan: Okay. Thank you very much, Mr. Chairman, for the time to present to the standing committee on Bill 203. First of all, I have to apologize for a couple of my board members who hoped to be here today. My president is in Red Deer making a presentation to the chamber of commerce, and my vice-president was called to a meeting with Minister Baird in Hinton today, so you're stuck with me, the chief executive officer for AUMA.

I will briefly kind of discuss AUMA's view on the current legislation and why municipalities use the franchise agreement. I will also provide some background on the use of the franchise agreement within the urban municipal environment. Finally, I will talk about the impact we believe Bill 203 will have on municipalities if passed.

I have filed with the chair a couple of background documents, EUB decision 2001-52 and EUB decision 2001-106, also Alberta regulation 262/2005, and also the financial information return done by Alberta Municipal Affairs. I'll refer to those documents because they do talk to some of the issues that are within Bill 203.

Under section 360 of the Municipal Government Act municipalities are granted the authority to charge franchise fees or property taxes for access to municipal lands in the construction, maintenance, and operation of distribution systems. This legislation allows local municipalities to govern their own unique circumstances by managing how these fees are set. It seems obvious, but not all municipalities are the same. Municipalities develop at different rates and therefore have different costs associated with that expansion. It is essential that legislation has built-in flexibility to allow municipalities to adapt to their specific circumstances.

Private utility companies are using the right-of-way without paying rent or purchase of land. Municipalities are responsible for "the direction, control and management of all roads within the municipality." That's section 18 of the Municipal Government Act.

This provision provides the municipality with compensation for the use of the right-of-way as well as support for infrastructure costs.

The current state. Conservative estimates are that over 80 per cent of Alberta municipalities use the Alberta Utilities Commission approved franchise agreement template. Likely the numbers are close to 90 per cent. I mention this because AUC has an important backstop within the current regulatory environment, and Alberta municipalities are complying with all the prescribed rules and regulations. Franchise fee setting is a public process, and the funds are used to meet public objectives.

2:10

EUB decision 2001-106 on the Hinton UtiliCorp template states:

> Prior to implementing any change in franchise fee pursuant to the provisions of Clause 5(b) of the Agreement, the Town shall notify customers located in the Town of its intent to change the level of the franchise fee and the resulting effect of any such change on [the] average residential [consumer's] annual electric billing. Customers will be notified through the publication of a notice once in the newspaper having the widest circulation in the Town, at least 45 days prior to the implementation of the revised level of the franchise fee. A copy of the notice shall be filed with the Alberta Energy and Utilities Board.

Further in the agreement approved by AUC, it states, "The Company shall, to the extent required by law, require each retailer to disclose to each Consumer the franchise fee amount, in dollars, on each bill."

Alberta regulation 262/2005, consolidated to 264/2007, specifically states under billing information that every bill sent to a regulated rate customer must separately show, if applicable, "under the heading 'local access fee', any amount levied under section 45 of the Municipal Government Act, or Schedule 1, section 21 of the Metis Settlements Act or by bylaw under the Indian Act (Canada)."

Currently the AUC-approved AUMA franchise agreement template allows municipalities to charge a percentage of the distribution and transmission charges, and it is not based on a percentage of the total bill. The percentage of franchise fee charged is capped at 20 per cent. All changes to the franchise percentage charged to file with AUC – and furthermore municipalities already report franchise and concession contract revenue to Alberta Municipal Affairs on line 1840 of the annual financial return. AUC and Municipal Affairs are government-prescribed safeguards in this matter.

The purpose of a franchise agreement is, one, the right of exclusivity because the contract is between the municipality and the utility company, giving them exclusive right to provide that utility inside that municipality; and, two, to use the municipal right-of-way under section 45 of the Municipal Government Act.

The AUMA fully supports and promotes the use of franchise agreements. They are effective in allowing the use of rights-of-way and the utility infrastructure; specific provisions for relocating utility infrastructure; identifying service level standards for outage, restoration, repairs, and maintenance; providing a mechanism for reciprocal indemnification and liability for utility work performed; specific reporting requirements related to utility infrastructure; providing a mechanism that enables additional services to be identified. It also provides the municipality the right to purchase the utility infrastructure on the right-of-way.

Section 45 of the Municipal Government Act provides the council with the authority to "grant a right, exclusive or otherwise, to a person to provide a utility service in all or part of the municipality, for not more than 20 years."

The franchise fee is not a tax and never has been a tax. EUB decision 2001-52, section 5.1, states:

> The Board finds that franchise fees such as the fees proposed in the Standard [franchise] Agreement are not taxes. A tax is a levy a person cannot avoid paying, whether or not that person intends to use a service being provided. In QCTV Ltd. v. [city of] Edmonton, cited above, the court found that a special franchise charge was not a tax because it was "freely and voluntarily negotiated" between the municipality and the utility. Similarly, for individual franchise agreements entered into by parties under the current legislation, individual municipalities will negotiate the precise amount of a franchise fee with utilities. As a franchise fee is not a tax, it is not appropriate to characterize the Standard Agreement as a tax agreement pursuant to section 360 of the [Municipal Government] Act.

These fees support the building and maintenance of a transportation system within the municipality. They pay for energy costs associated with municipal infrastructure used by citizens and pay for the maintenance of the right-of-way. Franchise fees are an approved additional revenue source, only one of three available to municipalities: property taxes, grants, or user fees. With the ever-diminishing federal and provincial dollars flowing to local government, franchise fees are critical to sustaining a municipality. Alberta municipalities must be able to respond to the increasing demand placed on them. Franchise fees are one mechanism to assist them in dealing with these demands and a mechanism to support economic growth.

Besides imposing a single formula for calculation, Bill 203 will change the way some municipalities record the revenue collected for a franchise fee. Many municipalities are already recording this revenue separately.

Bill 203 suggests that Service Alberta would take a more active role in ensuring that the rates municipalities charge are fair and transparent. Currently Service Alberta has no role in monitoring franchise agreements.

Bill 203 calls for a notice of rate change to be provided to the public 90 days in advance. The AUMA is concerned that the additional 90 days will likely cause problems for municipalities by pushing the timing of franchise fee or cap changes outside the typical municipal budgeting process than is currently provided for by the EUB or AUC.

Bill 203 suggests that there is more transparency between municipalities. Franchise fees are already available through Alberta Municipal Affairs, and we do not hold this argument as valid.

Overall it has been disappointing, the lack of consultation in regard to Bill 203. Effective consultation should incorporate the key stakeholders that will be directly affected. This has not been true with Bill 203. It was past its first reading when AUMA became aware of its existence. Realistically, it isn't until now, before the standing committee, that the stakeholders such as ourselves have had an opportunity to speak to this bill.

The AUMA along with its member municipalities fundamentally believe in the importance of accountability and transparency. The transparency in Bill 203 is already set out in the processes through the approved franchise agreement and through EUB or AUC requirements. Currently franchise fees are set and approved by a municipal council. A municipal council's decisions are made in public through the budget process and have to be done through a public notice and also provided to AUC.

What is the impact of Bill 203 on municipalities? Bill 203 will reduce municipal autonomy. It will force unwelcome changes to other existing legislation; certainty to affect the MGA. It does not seem thought through. Bill 203 removes the ability of municipalities to offset utility infrastructure cost increases. The resulting reduction in franchise fee revenues and budget shortages would in turn have to be addressed through property tax, user fees, or cuts in services or programs.

Bill 203 loses the logic of a fee related to infrastructure, exclusivity, and rent, which does not solely follow energy prices.

The Chair: Mr. McGowan, if you'd wrap up soon, please.

Mr. McGowan: Okay. In conclusion, the AUMA believes the franchise fee is already a fair and transparent process. We along with many of our member municipalities do not support this legislation. If the motivation is to ensure that the less you use, the less you pay, that does not match the purpose of a franchise fee. Bill 203 will erode municipal autonomy by enforcing a single calculation method, that does not account for the diversity within Alberta municipalities. Without the necessary preplanning it would dilute and muddy the waters between the regulatory bodies. It will also leave local governments scrambling to deal with budget shortfalls and likely result in property taxes rising.

We respectfully urge the provincial government to defeat this bill and engage in meaningful discussions with Alberta municipalities to ensure a positive outcome.

Thank you.

The Chair: Thank you, Mr. McGowan.

I will just by way of information to the committee and to everyone present refer to the history of how this bill came to be. It was referred to the Standing Committee on Community Services at first reading. In other words, this committee has full autonomy to make a recommendation back to the Legislature with regard to what we hear with regard to the bill. Certainly, that is why we're doing this public consultation.

I want to invite members to ask questions at this point. If there are questions that require extended answers, I would suggest that there's a possibility that written answers could be provided by presenters in the case where answers are longer than the time allows. We have about five minutes for questions.

Mr. Fawcett, I think you had your hand up.

2:20

Mr. Fawcett: Thank you, Mr. Chair. I guess I kind of want to stick to the issue here, but there are a number of questions that I do have. I'll just rattle them off. I think that the answers to the questions might give us some idea of the position that the Alberta Urban Municipalities Association is taking on this issue.

There was mention right at the end about consultation. I guess I take exception to the comment that there was no consultation before the bill was passed in first reading. I want the gentleman that presented on behalf of the AUMA to indicate whether a meeting was held between me and his president and himself prior to first reading on the specific clauses of the bill and whether he thinks it's appropriate that the actual content, the actual bill, be provided to him before it's provided to members of the Legislature in first reading.

The second question that I have – and this is sort of what the committee is going to have to deal with around this, and it does go to the purpose of the bill. The gentleman that presented made a statement at the end indicating that the use of utility infrastructure does not solely follow the energy prices. He talked a lot about the AUC template that has been approved, that is a percentage of transmission and distribution charges. Now, the fact is that not all municipalities in the province use that template. There are some that base it on the total cost of electricity, which does follow the energy prices, which the gentleman said is not important. So where does the Alberta Urban Municipalities Association stand when it comes to municipalities that use a formula that includes total cost of electricity as part of the formula?

Mr. McGowan: Okay. If I could just go back to the first question. Yes, the MLA is right. The president and I did meet with him prior to Bill 203 being introduced, but to us that's not consultation. That's not government consultation. As you are well aware, when departments of the government present bills for changing legislation, there is substantial consultation with our members, with municipalities, and all stakeholders prior to that introduction to make sure that all impact is understood and clearly identified. To us, this didn't go through the rigour that a normal bill would have to go through to make it through to changing a piece of legislation.

The second one is that we, the AUMA, actually negotiated this template a number of years ago, in 2001, and had it approved. We had a lot of discussions with the utility companies at that time on what basis a fee should be calculated, understanding that this fee is to recover rent. There also is the issue of exclusivity. You're giving the right to that utility company for being the utility company and a monopoly for that municipality for up to 10, 20 years. Thirdly, you are trying to recover costs of infrastructure.

The agreement at the table between the three parties was that it should be based on a charge on distribution and transmission. That's a regulated rate; that's a rate that's approved by the AUC. It doesn't follow energy prices. The worry about following energy prices was that it goes up and down. Municipalities are about infrastructure and infrastructure maintenance, and that's why it was calculated based on that. But municipalities do not have to follow the template. It's still a negotiation between the two parties. They still have to have it approved by the Alberta Utilities Commission, and if they don't follow the template, AUC still has to deal with that agreement coming forward.

The Chair: Thank you.

Any other questions from committee members? Mr. Allred, please.

Mr. Allred: Thank you, Mr. Chair. Mr. McGowan, you indicated that you did not feel this was a tax. Would you not agree, however, that this is a transfer of cost from the municipality to all of the utility consumers as opposed to all of the taxpayers?

Mr. McGowan: Thank you for the question. This, actually, was a real debate in the original hearing with the EUB at the time when they reviewed the template: is this truly a tax or not? It was sent away for legal review, and that's why I read and I gave a copy of the hearing. The decision was that it isn't a tax because it is a negotiated item. It was between two companies at the time they were negotiating with AUMA for a template. It got approved as a template. Then each municipality has to bring it forward. Because it's subject to negotiation and subject to annual review and approval, it is not a tax; it's a fee. That was the decision they came to. I did give a copy of it for what their legal decision was.

The Chair: Thank you, Mr. McGowan. The material that you presented has been circulated to the committee. Thank you for that.

Mrs. Sarich, please.

Mrs. Sarich: Thank you very much. Thank you also, Mr. McGowan, for presenting today on this important matter. My question is related to your presentation. On page 7, the second bullet, it says: "Bill 203 changes the way municipalities record the revenue collected from franchise fees (this revenue would have to be separated out)." I guess what I would be trying to understand here is that there must be an understanding, perhaps by the municipality or the elected representatives, when they have a look at their statements, where this issue may be raised, that they would have a sense about how that breakout would be. So is this just an accounting issue on a financial statement or the statements that have to be filed, that it would be cumbersome to do that, or is there something more to be learned here by the point that you're trying to make?

Mr. McGowan: I think what we're making a note on – and I did give a copy to the chairman. Information on financial returns is filed with Alberta Municipal Affairs each year, so there is a requirement of the municipality to highlight what they do get on their franchise fee. For accounting purposes all fees are wrapped together, and that's what this is relating to, that it is part of the revenue source for municipalities – property taxes, grants, and fees – and this is one of the fees . . .

Mrs. Sarich: One of the fees of other things in there.

Mr. McGowan: Right. Calculated by the municipalities.

Mrs. Sarich: Is there ever any inquiry – and I don't know this because I don't serve at that level – from a municipal lens to ask on that financial statement a question about how the fee on that line would break out?

Mr. McGowan: Yes. Actually, Municipal Affairs asked for it to broken out.

Mrs. Sarich: Okay. Thank you.

The Chair: Dr. Sherman, please.

Dr. Sherman: Thank you, Mr. McGowan. Just a simple question: what would be – I usually like to not call them unintended consequences; I like to call them unthought-of consequences – the impact on you, the financial impact on your ability to deliver services to the consumers if this legislation were passed? Would this help you, hinder you, cost you more, cost you less?

Mr. McGowan: I guess there are a number of issues. One, we have some municipalities who do not use the template, so there are different formulas out there. Some municipalities, as I explained, use this template, which is just a fee on approved costs through AUC. Other municipalities will use the fee based on all costs, including energy costs. There are other municipalities that just use a fee based on the energy cost itself.

The implication to the municipalities, those who are using distribution fees right now: it's very stable. The fee is a percentage of that. The only time it changes is if the EUB changes the distribution and approves rate changes; the fee would change with it. If you use it based on energy costs – as you know, one of the problems is that energy goes up and down, and if the fee starts being erratic, municipal revenues are also going to become erratic. That's part of the management of the issue at a municipal level. When you're managing infrastructure, it's very difficult to deal with fees going up and down very quickly.

Dr. Sherman: Thank you.

The Chair: Thank you.
One last question, Mr. Allred.

Mr. Allred: Thanks, Mr. Chair.
Mr. McGowan, you talked about this fee being for rent of the municipal right-of-way, the streets and roads. Do the municipalities have the authority to charge rent against all utility companies; in particular, telecommunications companies that are regulated federally?

2:30

Mr. McGowan: No. It's regulated by the federal agency, and there was a court decision in regard to it. However, there originally was quite a bit of debate about it, with municipalities even recovering costs. A substantial amount of this is recovering costs. I'm trying to remember the name of the agency that did eventually approve that these municipalities could collect – it was a Vancouver decision – the costs of all these transmission lines, that are federally regulated, recover a lot of the costs related to that.

Mr. Allred: That would have been the CRTC.

Mr. McGowan: The CRTC. Sorry. That's the name.

Mr. Allred: Thank you.

The Chair: Okay. Thank you.
Mr. Fawcett, you had a point of clarification, and then we'll move on, please.

Mr. Fawcett: I do. On page 7 of the presentation it says, "Bill 203 suggests that Service Alberta may take a more active role in ensuring the rates municipalities charge are fair and transparent." There is nothing in Bill 203 that proposes such. It was considered as part of the briefing material, that I had my researchers looking into, and after consultation, which indicates that consultation happened, it was decided that it would not be included in the bill. So just a point of clarification. I don't know what the presenter is looking at in the bill that suggests that, but maybe he could bring that to the attention of the committee if he has that information.

Mr. McGowan: I have to apologize if it's not in here in regard to Service Alberta. There was some discussion about Service Alberta to us because AUC is our regulator, and they're the ones that we have to get approval from. We have to advertise. Our issue was more that going to two bodies would be a duplication.

The Chair: Okay. Thank you, Mr. McGowan. Thank you for attending today and presenting to us and responding to questions. I appreciate your contribution this afternoon.

At this point I'll call on the city of Edmonton, represented by Mayor Stephen Mandel. Just before your presentation begins, I would invite members who have joined us at the table since introductions to introduce themselves.

Mr. Taylor: Good afternoon. Thank you, Mr. Chair. Dave Taylor, MLA, Calgary-Currie.

Ms Notley: Good afternoon and welcome. Good to see you again. Rachel Notley, MLA, Edmonton-Strathcona.

The Chair: Mayor Mandel, thank you for coming to present to us this afternoon. The floor is yours, please.

City of Edmonton

Mr. Mandel: Thank you. Thank you for the opportunity to present the city of Edmonton's position on Bill 203, Municipal Government (Local Access and Franchise Fees) Amendment Act, 2010.

Like the government of Alberta and members of the standing committee, the city of Edmonton understands the importance of ensuring transparency and accountability around municipal local access and franchise fees. Edmonton city council is convinced that our current municipal access and franchise fees are fully transparent and accountable and that our existing methodologies for calculating and presenting these fees are appropriate and meet the needs of the city of Edmonton utility customers located within our municipality. The city of Edmonton is concerned with how Bill 203 might impact Edmonton and other Alberta municipalities, and we'll focus today on six key areas.

Reduction of municipal autonomy by removing municipal discretion. The city is concerned with the way Bill 203 will interfere with municipal autonomy. Bill 203 seeks to reduce the authority municipalities presently have to regulate their own affairs and revenues as per the Municipal Government Act. If passed, Bill 203 would be a step backward from the shared municipal vision of a true partnership with the government of Alberta.

On this point of municipal autonomy I'd be remiss if I didn't express concern with what appears to be a trend in private members' bills in the past years seeking to limit the rights and responsibilities of individual municipalities through new rules to be imposed on a province-wide basis. Bill 202 in 2009, the Municipal Government (Municipal Auditor General) Amendment Act, Bill 203 in 2009, the Local Authorities Election (Finance and Contribution Disclosure) Amendment Act, along with this private member's bill reflect a lack of appreciation for the accountability municipalities and municipal elected officials deliver. It is difficult to see what value these proposals add, and in the end they simply reinforce outdated perceptions of provincial-municipal relationships as being less co-operative than they should be.

Two, impact on an important revenue stream for municipalities. The city currently demonstrates accountability to taxpayers and ratepayers in all of its decisions and actions while managing complex, big-city issues, having access to a very limited number of revenue sources. Any new provincial legislation or amendments to existing legislation that may impact the already limited revenue sources of municipalities is of concern to the city of Edmonton and its council. This concern is amplified where such legislation would also impact or alter the most significant municipal legislation in Alberta, the Municipal Government Act. The city of Edmonton council would like to receive clarification from the standing committee that Bill 203 does not affect municipalities' authority pursuant to section 61 of the MGA to grant rights with respect to its rights-of-way and to charge fees accordingly.

Three, uncertainty around the intent of legislation and direct impacts on Edmonton. Based on the bill as it is written, the city of Edmonton anticipates that its franchise agreement with EPCOR Power and its new ATCO Gas franchise agreement will not be impacted because of the way these agreements are classified. Going forward, however, the city is concerned that future proposed amendments to Bill 203 or to the content of its regulations would seek to also limit or impact the franchise fee arrangements that are not tax agreements. In light of this concern the city would like to receive clarification from the standing committee that the methods and restrictions outlined in Bill 203 do not apply to franchise agreements in which franchise or local access fees are paid in addition to taxes.

Four, lack of consideration for potential impact on consumer classes. Understanding franchise fee methodologies and their impacts on specific classes of consumers is important. An appropriate methodology for one municipality with respect to budget strategy, consumer mix, and distribution system characteristics may not be appropriate for another. Bill 203, 2010, would remove these unique considerations from the authority of municipalities. A major change in methodology such as has been proposed in Bill 203, 2010, would lead to shifts in franchise fee costs between customer classes, with possible unexpected and unintended consequences to both municipalities and the residents. Again, this is a matter of respecting municipal authority and autonomy and a complex issue that highlights the negative impact that may arise from attempts to take a one-size-fits-all approach where it is not appropriate.

Five, no increased transparency in proposed municipal franchise fee methodology. Bill 203, 2010, requires municipalities to disclose in their financial statements the amount of franchise fees, local access fees, and any other fees or charges collected pursuant to a tax agreement. The city of Edmonton currently meets this requirement. Total revenues from access fees and franchise fees are reported in the city's financial statement: voila.

Six, no greater clarity for consumers with respect to utility costs. Utility bills generally are complex as a result of the wide range of inputs that are factored into the final amount that consumers pay each month. Gas and electricity franchise fees are already disclosed on a separate line in Edmonton utility bills. Amending franchise fee methodology would not enhance the overall understanding of utility bills and would not provide greater clarity for consumers with respect to utility costs.

Based on the above concerns highlighted, the city of Edmonton recommends that Bill 203 not proceed.

Just a final comment. You know, we believe that cities and municipalities have tremendous jobs to do, and we have very limited taxing authority and/or franchise and fees authority. I think this is a step backwards, and it would be quite remiss if this moved forward.

I'd be glad to answer questions.

The Chair: Thank you, Mayor.

Ms Notley, then Mr. Allred.

Ms Notley: Thank you. With respect to your point 4, the lack of consideration for potential impact on consumer classes, because I am not as well versed in these issues as you are, can you perhaps give me a couple of examples of different consumer classes and between two hypothetical municipalities what that might look like?

Mr. Mandel: Well, different municipalities have different capacities, you know. In our particular case we calculate the franchise and/or the fees based upon a percentage of consumption. It's not based upon the commodity's price. Different areas do different things because of their capacities. I can't speak to other cities, but that's how we do it.

Ms Notley: Maybe I didn't ask the question correctly. Give me some examples of the different types of classes of consumer that you're thinking of.

Mr. Mandel: Well, there are different kinds of consumers in the sense that there are consumers of natural gas, of electricity, et cetera. As a result of that, there are different fees that could be applied in different ways.

2:40

Ms Notley: Thanks.

Mr. Mandel: I hope that's satisfactory. I have other people who might be able to answer the questions better than I can.

The Chair: Mr. Allred, please.

Mr. Allred: Thank you. Thank you, Mayor Mandel. I guess my concern or question, really, for clarification was with regard to point 4 as well, the consumer classes. From a municipal perspective the only consumer classes I can think of are school boards and churches, who do not have to pay taxes, yet they're going to have to pay the franchise fee on their utility bill.

Mr. Mandel: But they do use utilities, you know. I think that's an argument. Obviously, we don't charge taxes to churches, but, you know, they do use utilities, and they do pay the utility prices. As a result of that, they would pay the fees as part of it.

Mr. Allred: What other consumer classes might have a different rate?

Mr. Mandel: Well, we have residential and commercial, apartment dwellers, industrial transportation, different kinds of consumers like that.

Mr. Allred: But they will all pay the franchise fee based on the same formula. Is that correct?

Mr. Mandel: Not really. There are different revenues generated. The same formula would apply, but revenue would be generated by different categories because of the volume they use.

Mr. Allred: Oh, based on volume only.

Mr. Mandel: Yeah, because it's based on consumption, not on commodity prices.

Mr. Allred: Okay. Thank you.

Mr. Bhullar: Good afternoon, Mayor. Thank you for being here. Would you have an idea of what percentage of the revenue comes from residential users right now and what percentage would come from business or commercial?

Mr. Mandel: I've got the amount of money on a per-customer basis. My guess would be that residential would pay more than commercial. I can't add it up quickly enough, but we have 224,220 residential, and their average franchise fee is $132 annually. We have 19,951 commercial, and their average fee is $558. So there are different rates. If you multiply that out, it would be different amounts.

Mr. Bhullar: Thank you.

The Chair: Any questions from anyone on the phone? Mr. Johnston, please.

Mr. Johnston: Thank you. Mr. Mayor, what is the rationale for using a formula that is based on energy consumed, which is used by Edmonton and proposed by this bill, as opposed to a percentage of total energy costs or percentage of distribution charges used by other municipalities?

Mr. Mandel: I'm not going to speak for other municipalities. That's how we feel, that it's a fair and equitable way to do it. It doesn't mean that others don't feel that their way of doing it isn't fair and equitable either, but we feel that this gives a more consistent way of charging the fee. It balances it out. There are not great fluctuations.

The Chair: Mr. Taylor, please.

Mr. Taylor: Thank you, Chair. I will jump in with this, then. Mr. Mayor, am I interpreting what you're saying correctly, when I extrapolate from what you just said, that even though the city of Edmonton does it in one way that it sees as most suitable for its needs, you would defend the right of another municipality to do it a different way and that that decision should be made by the municipality and not imposed by the province?

Mr. Mandel: Absolutely. I think that's one of the great challenges with this particular kind of legislation. It's dictating to municipalities how we need to run our business, and I think it oversteps. Obviously, you have the authority to do what you're going to do, and obviously you can do that, but I think there needs to be respect. What fees we charge, what taxes we charge: we're responsible to our electorate, just like you are, and people make a decision based upon their view of what we do. I think we have precious few areas in which we can find ways to raise money. This is one of them, that cities choose to use in a way they think is necessary, so I respect that way. Ours is different, which I think is in line with the bill, but that doesn't mean that it's the only way.

Mr. Taylor: Thank you very much.

The Chair: Thank you, Mayor Mandel, for your presentation this afternoon.

Mr. Mandel: Thanks very much. Take care.

The Chair: Thank you.
At this point I'll invite the representatives from the city of Grande Prairie to take a seat at the table, please.
Thank you, gentlemen. I'll ask you to introduce yourselves for the record, and then the floor is yours, please.

Mr. Given: Sure. Thank you very much, Mr. Chair. My name is Alderman Bill Given, with the city of Grande Prairie.

Mr. Perrott: Trenton Perrott, city of Grande Prairie.

The Chair: Thank you.

City of Grande Prairie

Mr. Given: Mr. Chair, thank you very much for the opportunity to be here to present today. Of course, it's a pleasure to be here to speak to the concerns that the city of Grande Prairie has with Bill 203. There are a number of documents that we've circulated that I believe everyone should have, and you'll hear me reference them at different points through my presentation. They're there for the committee's referral later on.

We're here because there are a few specific points that the city of Grande Prairie feels need to be addressed, and we want to share some context from our community which we hope will inform your deliberations on Bill 203. In terms of Grande Prairie context, we're a mid-size city, with a population of just over 50,000. We have an operating budget of $100 million and a capital budget of approximately $70 million for 2010.

Our current franchise agreements were approved by the Alberta Energy and Utilities Board in 2004 and 2006, respectively. This was after administration worked through detailed negotiations with our local utility provider and after the agreements were discussed at multiple meetings of council that were open to the public and reported in local media. Each negotiated agreement covers a 10-year term.

Our franchise fees represent 5 per cent of our operating revenue base, or approximately $5 million, and – this is the key – they are based on a percentage of distribution costs, with natural gas at 25 per cent of those costs and electricity at 7.75 per cent. Previously to this our franchise fees were calculated as a percentage of total cost of energy used. The change to base our franchise fees on distribution costs was an intentional move on the city's behalf. We were looking to insulate consumers from the volatility of energy pricing that occurred after the energy markets were deregulated in 2001.

One of the points we want to address is volatility. Bill 203 proposes to standardize the calculation methodology based on the volume of energy consumed, as you all know. One of the arguments for Bill 203 is that consumers will be protected from price swings and market volatility. In the case of municipalities like Grande Prairie Bill 203 would actually introduce more volatility and erode the stability that we've created.

Supporting arguments for Bill 203's fee structure based on the quantity of energy consumed suggests that there's no volatility towards the fee when it comes to the costs of electricity or natural gas prices fluctuating up and down. Franchise fees calculated on unit of energy consumed will introduce a significant amount of uncertainty into the municipal budgeting process. A very practical example is if a northern community budgeted for a cold winter, where higher volumes of natural gas would be used, but instead saw warmer winter weather, with less energy consumed, the municipality would be facing a budget shortage.

In Grande Prairie we have a fee structure which is stable over a long period. This provides consistency for both the consumer and the municipality. Requiring our community to calculate the fees based on units of energy consumed would needlessly introduce uncertainty and complexity into our municipal budgeting process.

Under transparency, it's suggested that having one single formula across the province would provide useful comparative data for the marketplace and result in more openness and accountability. We believe that the truth is that a single formula will not explain to consumers the reason why a municipality is obliged to negotiate the franchise fee rate that it does with the utility company. These contracts are complex, circumstantial, and relate to the local marketplace. For example, land values and the associated costs of maintaining utility corridors in Calgary are obviously very different than in Grande Prairie. These highly variable costs are what municipalities are recovering in contracts, and they do so legitimately under the Municipal Government Act.

At the same time the various fee structures used by municipalities are not all that complex. Comparative data could easily be produced by the Alberta Utilities Commission. The AUC currently has access to all the data required and could simply provide the public with comparative data based on fees charged in relation to the quantity of energy consumed. This could easily be posted on their website. This simple step would achieve the desired information, clarity, and transparency for competitive analysis without needing to amend the Municipal Government Act and introducing uncertainty and complexity into the municipal budgeting process.

2:50

Another stated intent of Bill 203 is to provide consumers with better information to make informed decisions, but we feel that it also misses the mark here. The provision of electricity and natural gas in Alberta has more serious challenges related to informing consumers about their options. Consumers would be better served if the province directed more effort towards informing them about the range of retailers available in the marketplace. For example, prices can vary up to 32 per cent between retailers offering floating gas rates and up to 15 per cent on fixed gas rates. In terms of electricity the difference is also of concern, with variations of 21 per cent on floating power rates and 17 per cent on fixed power rates. We've attached some charts that we've developed for your reference.

The majority of consumers don't seem to be taking advantage of the options available to them. In Grande Prairie we've chosen to dedicate municipal resources through our economic development department to gather information for residents. We would suggest that this might be more appropriately done at the provincial level and would be of more value than the outcomes of Bill 203.

Speaking on the discussion of taxes versus fees, arguments for Bill 203 have made the point that franchise fees are really taxes. I'm quoting here from a previous speaker: "That revenue is going directly into general revenue, not to fund capacity expansions and utility corridor upkeeps but to fund essential services. I would submit to you that that's not appropriate for a fee. That's a tax." Interestingly here, there are constitutional arguments about franchise fees that point out that a calculation based on quantity of product purchased would be an indirect tax and could be legally challenged. We have some EUB decisions which we've attached for you. The AUC decisions have ruled that franchise fees are not taxes of any sort.

Further, municipal franchise fees that might exceed the general costs of utility corridors, which have been cited in arguments supporting Bill 203, are also not considered to be taxes. The AUC has deliberated on these matters, stating that franchise fees of any amount are not taxes and the MGA does not require a municipality to limit franchise fees solely to the related costs of land use by the utility company.

We're also concerned about the prescriptive methodology. There seems to be an underlying goal in Bill 203 to provide the basis to expose, in a very simplified manner, franchise fee disparities across the province. A single formula will not explain to the consumers why a municipality is obliged to negotiate the franchise fee that it does with the utility company. Alberta municipalities are very different and very diverse in terms of their economic circumstances due to a variety of factors: large/small, urban/rural, north/south.

Ultimately, we're also concerned about the intrusion into municipal decision-making. Section 360 of the Municipal Government Act is clear, practical, and ensures the legislative autonomy of Alberta municipalities with respect to business practices and franchise fees. Franchise fees are based on business negotiations with utility companies and are approved and monitored by the AUC. The AUMA has played an important role in assisting municipalities in managing contracts with utility companies serving local taxpayers. Over 450 municipalities successfully manage their business with utility companies across the province. For the most part these are stable, long-term contracts that provide certainty and predictability for consumers, municipalities, and energy providers.

We are very concerned that the amendments to section 360 of the MGA found in Bill 203 raise the spectre of potential limits or new caps on franchise fee rates. Specifically, we're referring to proposed subsections (4)(c) and (4.1)(c), which state: "any additional limitations . . . set out in the regulations." These amendments appear to open the door wide for new regulations introducing caps on franchise fee revenues.

We believe it's a basic tenet of local government that elected councils have to have the flexibility to manage their resources and provide the services needed by their residents. Bill 203 would reduce the flexibility municipalities currently have.

If Bill 203 is passed and the political result is that any particular municipality loses fee revenue, will the province step in to make up the difference? Ultimately, it's to the provincial government's benefit to have municipalities that are able to address local priorities using local monies. A restrictive, standardized calculation with the potential for limiting caps will only upload financial problems to the provincial government. If approved, Bill 203 could inadvertently increase municipal dependence on funding from the provincial government.

That's an overview of the concerns that we see in addition to those raised by our colleagues from the AUMA and Edmonton. Ultimately, we would urge the committee to give forward a recommendation to the Legislature that they not pass Bill 203.

We thank the committee for allowing us to make the presentation today, and we'd be happy to answer any questions that you may have.

The Chair: Thank you, Mr. Given.

I'll open the floor to questions from committee members at this point.

Mr. Anderson: Chair?

The Chair: Is that Mr. Anderson?

Mr. Anderson: It is.

The Chair: You've joined us on the phone. Welcome.

Mr. Anderson: Thank you. I just wanted to make sure that – I was on at about 2:30, just to let you know. It was a good presentation.

The Chair: Thank you and welcome. Did you have a question, or was that an introduction?

Mr. Anderson: No. I just wanted to confirm that that was Grande Prairie that was just speaking.

The Chair: Yes, that's correct. Thank you.

Mr. Anderson: Okay. Thanks.

The Chair: Questions from committee members?

Mr. Fawcett: At the beginning of your presentation you talked about protection from volatility. You mentioned that Grande Prairie recently changed their calculation of these fees from a percentage of total cost of electricity use based on distribution costs and this was an intentional move by the city to insulate consumers from the volatility of energy pricing. Then you go on to say that, essentially, the formula that you use based on distribution costs actually protects consumers from additional volatility beyond what is proposed in this bill. Is it not true, though, that one of the factors of your transmission and distribution costs is your consumption of electricity? Don't your costs go up and down based on the consumption of your electricity?

Mr. Given: Mr. Chair, to speak to that question, I believe that what we do is we set it as a percentage of the distribution costs that ATCO charges in our case. To my knowledge, no, that doesn't go up based on how much electricity a consumer uses. As I said, that change was not – I mentioned recently, but that was actually back in 2001, so it's been quite a while that the city of Grande Prairie has been doing this. We feel that it's best for our residents and the most appropriate way to insulate them from what we saw as a situation where there was a potential for the municipality to be collecting unintended revenue when we saw electricity prices spike after deregulation. We feel that it's very appropriate. We feel that it's more appropriate, in fact, than what's proposed by Bill 203, which still would be subject to the volatility and demand and actual usage of energy, whether it's natural gas or electricity.

The Chair: Thank you.

Any other questions? Mr. Allred.

Mr. Allred: Thank you, Mr. Chair. Thank you for your presentation. Towards the end of your presentation you talked about: if there are changes to or potentially elimination of franchise fees, you would lose revenue. Would you not agree that if that were the case, the consumer, who is also your ratepayer, would pay less in consumption charges?

Mr. Given: Sorry. Just to make sure that I'm clearly understanding what the question is, are you suggesting that if franchise fees were eliminated, the consumer would pay less on their bill?

Mr. Allred: Right. Yes.

Mr. Given: Yes, of course they would. But the municipality that they live in would need to recover that revenue somewhere else to maintain the utility rights-of-way and pay for those associated costs. Ultimately, as you all know, there is only one taxpayer, and the taxpayer is sometimes a consumer, so that cost would have to be made up somewhere.

Mr. Allred: I guess that's exactly my point. You could increase taxes to make up for the reduction in the consumption charges. Plus, would you also agree that on your utility bill you're charged GST? Plus, presumably there are some administrative costs in this whole scheme as well, so there would be a net benefit to the consumer and ratepayer.

Mr. Given: Through the chair, I would stand to be corrected on this, but I don't believe that GST is charged on our fees, so I believe that that net benefit ultimately would be eroded by the fact that municipal taxes would have to go up to pay for these sorts of services and maintenance that are happening today that are funded through franchise fees.

Mr. Allred: A follow-up if I may, then. You're suggesting that on a utility bill the franchise fee is not subject to GST?

Mr. Given: Through the chair, at this point that's my understanding. As I said just a second ago, I would stand to be corrected on that.

Mr. Allred: Thank you.

The Chair: There being no further questions, thank you, Mr. Given, for your presentation this afternoon and for attending the meeting.

Mr. Given: Thank you very much for the opportunity.

The Chair: At this point I'd suggest that we take a five-minute break and that it be a strict five-minute break and that we'd invite the city of Calgary representatives to be at the table in five minutes, following this short break. Thank you.

[The committee adjourned from 2:59 p.m. to 3:05 p.m.]

The Chair: We'll call the meeting back to order. Welcome to the representatives from the city of Calgary. I'll ask you to introduce yourselves for the record, and then the floor is yours. Please.

City of Calgary

Mr. Tobert: Thank you, Mr. Chairman. Good afternoon. My name is Owen Tobert, and I'm the city manager for the city of Calgary. Joining me today is Eric Sawyer, our chief financial officer. On behalf of the city of Calgary and city council we appreciate this opportunity to speak to the committee on the city of Calgary's concern with respect to Bill 203. As you might have seen in our written submission, this bill has the potential to negatively affect not only municipalities but also customers' utilities and even, we believe, the province. We are urging the committee to carefully consider whether this bill is truly achieving its intended purpose. We have a short presentation, after which we look forward to answering any questions the committee might have on this very complex and important topic.

I'll turn things over to our CFO, Eric Sawyer.

Mr. Sawyer: Thank you, Mr. Tobert and members of the committee. For decades the province has given municipalities through the MGA the flexibility to determine what revenue sources could be used to provide municipal services. It is up to each municipality to choose the revenue mix that works best for them. Franchise fees are an important revenue source that helps enable the delivery of core municipal services. Reduced revenue from franchise fees could impact our ability to meet the demands of growth and to deliver quality public services. A shortfall in revenue from franchise fees, if it were to occur, would have to be addressed through increases in property taxes or user fees or cuts to infrastructure investments or service levels. We cannot run a deficit.

Municipalities all have different needs, and they need to be able to act locally to respond to their communities and citizens. Municipalities grow at different rates and experience different infrastructure demands and public service expectations. Bill 203, we would suggest, hinders municipalities' ability to customize their franchise fees to meet their particular needs. As you've already heard, the city of Calgary is not alone in our concern that Bill 203 attempts to reduce the authority of municipalities in managing our own affairs.

While Bill 203 would have significant implications for municipalities, there are other wide-ranging impacts that should also be considered. For instance, there are about 400 franchise fee agreements in Alberta. Bill 203 would require the rewriting of most of these agreements, which could result in increased costs for utilities, municipalities, and the province.

Also, franchise fees are an integral component of a utility's rate design. Utility rate classes vary between utilities, reflecting the differences between the different types of customers served by each utility. Bill 203 ignores customer differences by imposing a single approach for all customers, effectively shifting how the franchise fee is allocated to customers. The result could be that some customers may pay lower franchise fees while other customers may have to pay higher franchise fees.

From the city of Calgary's perspective, our franchise fee is the most stable item on the utility bill. In fact, our rate and methodology have been unchanged since 1974. There have been lots of changes to the bill that have caused some confusion, but I would suggest that's nothing to do with franchise fees.

There is a huge value to a utility that possesses the right to serve customers in a municipality, which is why municipalities should receive compensation. The full market value of utility services is included in the total bill. Calgary's franchise fee methodology is based upon the total utility cost. Volume is already taken into account in Calgary's methodology along with the market-driven price. Some other rapidly growing communities using the same full-costing methodology include Fort McMurray, Sherwood Park, St. Albert, Peace River, and Banff. This methodology works well with a diverse utility customer base. Some methodologies focus on distribution costs; others on total energy costs. Bill 203 focuses on only one component, the volume, ignoring the difference between the different types of utility customers.

Since 1974 Calgary's economy has experienced tremendous growth and inflationary pressures, and our population has grown rapidly. Calgary's franchise fees are growth sensitive and have helped the city of Calgary accommodate the pressures of growth and inflation. To continue on Calgary's perspective, when energy prices increase and correspondingly Calgary booms, for example, our franchise fee methodology can respond more quickly to growth than other methodologies or any other revenue source available to municipalities.

Our franchise fees are a very important lever in dealing with Calgary's many economic booms and busts. When prices decrease, our franchise fee revenues decrease as the growth slows. Also, our franchise fees provide a natural hedge. When gas prices rise and our costs go up, so do the franchise fees.

Our franchise fees are transparent. They're clearly shown on the utility bill as well as being clearly shown in the city of Calgary's budgeting and annual reporting documents. Calgary's franchise fees are stable and consistent with other franchise fee rates in North America. Our franchise fees are also comparable to other Alberta cities. In 2009, for example, the franchise fee charges for an average 1,200-square-foot bungalow in Calgary were about the same as the equivalent dwelling in Edmonton and Red Deer.

As is to be expected, there are different views on this issue, and I would like to speak to a few points that have been raised by industry. There are some who want the AUC to increase its role in franchise fee regulation; however, this could lead to the AUC regulating one part of the utility bill and some municipalities such as Red Deer, Lethbridge, or Medicine Hat regulating the rest of the bill. This could be confusing and troublesome, so in effect Bill 203 could further reduce municipal autonomy.

We know that some businesses are of the opinion that franchise fees are still too high. Naturally, businesses are always trying to cut their costs, including their utility costs. At AUC rate hearings businesses are known to try to reallocate utility costs from larger customers to smaller, residential customers, which could happen with Bill 203. Industry sometimes says that Calgary franchise fees are very high, and I did want to point out they often use 2008 to illustrate this. However, I would like to note that over the 10-year period our franchise fees have averaged about 25 per cent lower than the spike in 2008. That was a particularly high-growth year and, correspondingly, higher franchise fees.

In summary, members of the committee, we hope you can appreciate the city of Calgary's objections to Bill 203. The bill erodes our autonomy and our ability to meet the needs of Calgarians by taking away one of the few important revenue levers available to us. Calgary is now home to 1.1 million people, and our franchise fees have grown with the city, providing an important source of revenue that helps pay for the cost of that growth. If we are not able to keep up with growth, this could impact municipal service delivery and threaten Calgary's role as one of the key urban drivers of economic competitiveness in Alberta.

The franchise fees are the most transparent part of a customer's utility bill and are an integral part of the utilities rate structure. Published utility rate schedules include the standardized franchise fee methodologies that are used in Alberta. The need to rewrite most of the 400 franchise fee agreements could be costly and time consuming. Those agreements are very complex, handling many factors beyond just the franchise fee.

Bill 203 dictates changes to franchise fee methodologies which could result in homeowners paying more franchise fees than they do now. Therefore, respectfully, the city of Calgary recommends Bill 203 not proceed.

That concludes our formal presentation. Mr. Tobert and I would be pleased to answer any questions.

The Chair: Thank you for that presentation.

We'll go to questions.

Mr. Allred: Mr. Sawyer, you indicated you have a stable, consistent franchise fee comparable to other franchise fees in North America. I don't know if you received the information that our researcher provided to us, but it indicates that the city of Calgary receives 7.1 per cent of their total revenue from franchise fees. The next highest is Grande Prairie at 4.55 per cent. Edmonton is only 3.3 per cent. I come from St. Albert, where it's only 1.14 per cent. Now, that doesn't appear to be comparable to other cities in North America, and 7 per cent of your revenue from franchise fees to me indicates that it's an unjust burden transferred over to the utility consumer.

Mr. Sawyer: Mr. Chairman, some of those comparisons obviously will relate to different customer classes, but I would point out that within Alberta I'll totally accept that Calgary is among the highest. I was talking about North America. There are many, many utilities across the United States and other parts of Canada where our rate, at 10 per cent, is comparable.

3:15

Mr. Allred: Well, then, sir, how do you explain why yours is more than double the city of Edmonton's? Comparable cities, I would suggest. You may disagree with that.

Mr. Sawyer: I think our position would be that we have certainly, we believe, put in place a mechanism that works for Calgary. I couldn't speak for Edmonton.

Mr. Allred: Thank you.

The Chair: There was a question on the line, please.

Mr. Hehr: Good afternoon, gentlemen. My name is Kent Hehr. I'm calling in from Calgary today. Just asking a question here: if Bill 203 would conceivably go through, how much do you guys estimate either taxes would need to be raised or how much more would you have to get back from the provincial government to make up the shortfall?

Mr. Sawyer: Thank you, Mr. Chairman. You know, what the impact would be very much probably depends ultimately on the regulations that at this point we're certainly not privy to or have not been developed. There were quotes in the paper of some possible $120 off the bill. That would equate to about $50 million reduction in revenue for the city of Calgary to its operating budget.

Mr. Hehr: Okay. Thanks. Clearly, obviously, the rubber should hit the road somewhere, and I realize now that there is a discrepancy. Right now out of the tax bill that the city of Calgary puts out to homeowners and business owners of the city, what percentage of that bill does the city get to keep, and how much actually goes to the province of Alberta? Do you have a rough estimation?

Mr. Tobert: Yes. It's roughly one-half.

Mr. Hehr: One-half.

Mr. Tobert: Yes.

Mr. Hehr: Okay. If this changes, hopefully, then the province would obviously leave the tax dollars there alone in Calgary, but they could regulate their own finances if they want to pass this, or at least that would be one of the areas that would have to be explored unless you're going to put a massive tax hike through.

Mr. Tobert: I don't believe that's a question.

The Chair: No.

Mr. Hehr: Okay. Then it was just an observation. Anyway, I leave it at that.

Mr. Bhullar: Mr. Chair, I was just going to ask if we could ask fellow members of the committee questions, considering they may be interested in leading the city of Calgary and this is a very important issue, but I think I'll leave that for offline.

The Chair: Mr. Fawcett, please.

Mr. Fawcett: Yeah. Thank you for your presentation. In the presentation you indicated the city's ability by using commodity prices in the formula to hedge against high commodity prices when it comes to budgeting. I'm not sure if you know this, but we are going through a recession not seen in this province for a long, long time. We've seen businesses shut down. We've seen some move out of the province, out of the country. Haworth furniture was one of them that was enticed through tax incentives to relocate their businesses from Calgary to a jurisdiction in the U.S. So isn't it also important, then, to provide the business community in Calgary, particularly those that are energy intensive, some sort of price stability on these fees, thus taking the volatility of the commodity price out of one of the factors that contributes to this fee? Would that not increase Calgary's competitiveness to other jurisdictions in this province and right across the country and North America?

Mr. Tobert: If the primary driver is to have, Mr. Chairman, the lowest taxes possible, we could reduce all kinds of services and reduce our expenses. By chopping revenue, you then are forced to chop expenses on our books in order to balance the budget. The city of Calgary has an approach to provide a balanced budget every year, and I think we have done that every year so far. The natural hedge comes in when prices spike due to commodity price increases. We get additional revenue. On the other side of the swing, though – and that's where we are today. Natural gas prices are very low, and we are suffering a loss of franchise fee revenue at that point. In fact, it's a pressure point in our budget, so we have to reduce our budgets to reflect those losses of franchise fees. It's not all a positive story.

The Chair: Okay. Thank you.

Mr. Fawcett: Just a follow-up question, Mr. Chair.

The Chair: Mr. Fawcett, please.

Mr. Fawcett: Wouldn't that provide rationale for going to a more stable way of charging the fee? You just provided a rationale for taking commodity prices out because now the municipality is under financial pressure because of the exact formula that they use.

Mr. Tobert: We're prepared to ride this cycle. We have been for 36 years.

The Chair: Thank you.

Mr. Bhullar: If you're prepared to ride the cycle, then what difference in revenue have you seen since 2008?

Mr. Sawyer: Mr. Chairman, the franchise fee actual revenues from gas and electricity combined were about $212 million in 2008. For 2010 our estimate is about $150 million. Again, I'd emphasize that in 2008, the higher franchise fee revenue, that was also the height of the growth and the requirements around infrastructure funding, et cetera. So the franchise fees, the high and low, are very much flowing with the general economy in Calgary, high and low. There's a matching, there's a parallel there.

Mr. Bhullar: Where, sir, have we found that extra $62 million, then, that we've lost in revenue?

Mr. Sawyer: The franchise fees make up, as said earlier, approximately 7, 8 per cent of our total revenue. On an annual budgeting basis we reassess all the revenues, all the expenditures to adjust accordingly. I couldn't tell you exactly whether it drove an increase in tax rate or a reduction in expenditure. It's done as a total amount of forecast revenue and total amount of expenditures.

Mr. Bhullar: I'm just curious because, I mean, that's about 62 million bucks a year. If you were able to find that money pretty easily, then it gets one thinking that maybe we don't really need it anyhow.

Mr. Tobert: Well, that's not true. I think that the $62 million was not wired into our bottom-line operating budget every year. We never fully account that we would get the maximum amount of revenue; in fact, we're fairly conservative on that. What we do is pick what we think is a reasonable commodity price, just like anyone else would project commodity prices, and we don't anticipate rising markets and look for windfalls. That's not a good way to run budgets. We look for stability as best we can, but it's a wonderful thing to have. In an area where you have rapid growth, there are unanticipated capital expenses that come up. When you have a ready source of funds that you don't have to borrow for, it's extremely useful. That's why we're prepared to ride the cycle.

The Chair: Thank you.

Dr. Sherman: Thank you for your presentation. Just a couple of questions. Especially on the health care side, for us future planning requires stable funding, and I can appreciate the challenge of cycles of feast and famine and gambling and using guesswork. I don't know if that's the most prudent way, but if it works for you, great.

Your sources of revenue are fees, taxation, and grants. Do you have a comparative analysis of Edmonton and Calgary, reasonably similar sized cities – you guys are a little bit bigger than us – of what your taxation is and what you get in lieu of grants? In comparing Edmonton and Calgary, do you charge more taxes than we do, and do you get more grants than we do here in Edmonton? You've got more fees here. Are you getting less taxes or less grants?

Mr. Tobert: That's a fairly big question. I'll try and answer it by saying that as far as I know, we receive exactly the same grants as the city of Edmonton does or funding in lieu of grants on a per capita basis. Where we do differ slightly, though, is in our franchise fees, and perhaps it's reflected in the fact that we do have lower municipal property taxes, especially for residential properties. When you compare the same property in Edmonton versus Calgary, we do tax less.

Dr. Sherman: Thank you.

The Chair: Mr. Taylor, please.

Mr. Anderson: Mr. Chair, put me on the list, please.

The Chair: Okay.

Mr. Taylor: Thank you very much, Mr. Chair. Mr. Tobert, it is your feeling that under the provisions of the current Municipal Government Act the city of Calgary and any other municipality in the province of Alberta has the full authority and the autonomy to determine for itself in the interests of its own citizens what is the best way to calculate local access or municipal franchise fees? Is that true?

3:25

Mr. Tobert: Agreed.

Mr. Taylor: Okay. It would follow, then, that we have a municipal election coming up in about five or six weeks' time in Calgary and every other municipality in the province and that if the citizens of Calgary were truly upset, truly outraged about the way in which your administration has chosen to calculate franchise fees in the city of Calgary, they would have recourse, then, to throw out the current council and replace them with new elected representatives who decided to do it a different way and who, again, under the provisions of the Municipal Government Act would have the full autonomy and authority to do it in the interests of their citizens as they saw fit, correct?

Mr. Tobert: That's a plausible hypothetical.

Mr. Taylor: Plausible hypothetical. Therefore, if there is a problem that the citizens of Calgary or the citizens of Edmonton or the citizens of St. Albert or Sherwood Park or Grande Prairie or Fort McMurray and Wood Buffalo or any other municipality in this province have with the way their locally elected councils calculate franchise fees, they have recourse to solve the problem themselves at sort of retail level, at the level where the citizens are closest to their elected representatives.

Mr. Tobert: Every three years.

Mr. Taylor: Thank you, sir.

The Chair: Thank you. I think we had Mr. Anderson on the phone. Is that right?

Mr. Anderson: Yeah, that's right.

The Chair: Go ahead, please.

Mr. Anderson: Okay. Well, I agree with the spirit of what the hon. Mr. Taylor said earlier about municipalities. You know, you want to give them their autonomy and control over their own affairs. What we haven't done in this province, what we've decided not to do in this province to this point, is to give municipalities the opportunity to have their own income taxes or sales taxes. As I look at these numbers and as I hear this discussion, I don't see how this is anything more than just a way of inserting a tax into people's utility bills. I mean, it's obviously called by a different name, but if you look at what it does, it clearly is just a way to raise general revenue. You said it yourself. Half of it, a good chunk of it, just goes into general revenues. You raise 7.1 per cent of your money using these fees.

This looks like just a way to instill a tax for the city of Calgary, and frankly it looks to me like it's a ratepayer gouge. I don't care how you spend your money. That's fine. That is the municipality. You know, we can snicker and laugh about your designer bridges and things like that, and we often do, but I don't understand how you can sit there and say: oh, well, this isn't a tax. I mean, it clearly is a tax. You're just using it as a way to raise general revenues, and I don't think that that's a fair way. I don't think that's a power that the province has vested on the municipalities, and it just looks to me like this is a loophole that you're using to raise general tax revenue. Am I wrong?

Mr. Tobert: I don't have an answer for that.

The Chair: Okay. That was commented on earlier in the presentations today.

Any further questions from any of the committee members? Go ahead.

Mr. Chase: It's more of a comment to do with the distinguishing of the taxation rights of the province and the rights of the municipalities, and obviously the municipality act spells that out. I'm wondering if the solution would be a review of the municipalities act as opposed to Bill 203, which is sort of putting one level of government handcuffing another level of government.

The Chair: Okay. I'd invite you to save those comments for further discussion at another meeting.

A question from Mr. Allred, please.

Mr. Allred: Thank you, Mr. Chairman. Mr. Tobert, I distinctly heard you say that your franchise fees are higher, which we've established, but your taxes are lower than other municipalities. Now, would that not indicate that you're using the franchise fees as a transfer of taxation revenue to the consumer?

Mr. Tobert: No, because there are so many other variables that are different in our tax bases between Edmonton and Calgary. I mean, we just have to look at our downtowns, ours versus Edmonton's. We derive a huge amount of our property and nonresidential property tax from our downtown. That, to me, is the critical difference between the two municipalities. Our tax bases are not comparable.

Mr. Allred: Okay. Thank you.

The Chair: Mr. Fawcett, last question, please.

Mr. Fawcett: You mentioned in your presentation that the average amount for a bungalow, I think you said, in Calgary is pretty comparable to elsewhere in the province, but we know that the financial statements show that Calgary collects a disproportionate portion in these fees to any other municipality. Where is that excess revenue coming from? Where is that being collected? If it's being collected on the backs of businesses, what do you think the impact of that is to the economic competitiveness of the city of Calgary?

Mr. Tobert: I'm not sure I understand the question. If it isn't coming from the residential property owners as a utility bill charge, then it's coming from other customer classes.

Mr. Fawcett: What other customer classes?

Mr. Tobert: There is large commercial, industrial.

The Chair: Okay. I'd like to thank you, Mr. Tobert and Mr. Sawyer, for presenting this afternoon on behalf of the city of Calgary. Thank you very much. We'll move on.

Mr. Tobert: Thank you for the invitation and the opportunity to speak.

Mr. Sawyer: Thank you. I appreciate it.

The Chair: At this point I'll invite Mr. Richard Truscott from the Canadian Federation of Independent Business to take a seat at the table, please.

The floor is yours, Mr. Truscott. We've targeted about 10 minutes for a presentation and then about the same amount of time for questions, please.

Canadian Federation of Independent Business

Mr. Truscott: Okay. Thank you very much, Mr. Chair. Thank you for the opportunity to speak to you and your fellow committee members today. I'm here on behalf of 10,000 CFIB members in Alberta, and I want to officially thank you for the opportunity to present to you today. As you know, the Canadian Federation of Independent Business is a nonpartisan, nonprofit political lobby group. Founded in 1971, CFIB is a member-driven organization with 107,000 independently owned and operated businesses across Canada, including 10,000 here in Alberta, as I mentioned.

CFIB represents the interests of small business and entrepreneurs from all sectors of the economy on federal, provincial, and municipal issues. I'm here today to help provide the committee with the perspective of entrepreneurs and small-business owners on Bill 203, the Municipal Government (Local Access and Franchise Fees) Amendment Act, 2010.

Generally speaking, small-business owners want governments to be more accountable and transparent. For instance, when we asked them if there is a sufficient level of accountability and transparency of public expenditures at the local level, almost three-quarters said that they disagreed, including 43 per cent who said that they strongly disagreed.

Although the main source of revenue for municipalities remains property taxes, many local governments also collect significant amounts of revenue from other fees, fines, and levies. One such fee that clearly needs to be made more transparent and accountable to the people and the businesses that pay it is the municipal franchise and access fees.

First, let me outline a bit of background here. As you know, the Municipal Government Act gives municipalities the authority to charge utility companies a fee for access to municipal land so they can construct, operate, and maintain their electrical and natural gas distribution systems. A quick look at the utility bill for any resident or business shows that these costs are passed along to ratepayers as a fee under a variety of labels: local access fees, municipal consent charges, and franchise fees, just to name a few.

When the CFIB became one of the first groups to research this issue back in 2005, it started out as a complaint from one of our members, who couldn't for the life of him understand his utility bill. What were these extra charges, why were they called these names, and what did they represent? So we started doing some digging and a bit of groundbreaking research. Now here we are, five years later, directly dealing with the issue, and I'm certainly appreciative of that fact.

At the time Calgary had the highest combined franchise fees for electricity and natural gas in Alberta. Each one represented about 10 per cent of the total charges on consumers' bills, as many of the other presenters may have told you as well. It was estimated at the time that the city of Calgary generated about $130 million in revenue from municipal franchise fees, well over two times more than Edmonton at $55 million.

Those numbers translated into per capita revenue of $140 in Calgary. For comparison purposes, Edmonton generated $80 per capita and Red Deer $46. In 2008, the last year for which franchise fee revenue information is available through Municipal Affairs, the revenue from Calgary's franchise fee topped $216 million, or $207 per capita. That means the revenue per person was considerably higher than just a few years previous. In fact, Calgary gathered almost 70 per cent of total franchise fee revenue by all Alberta cities in 2008, representing about 9 per cent of their total revenue. Of course, that's shrunk slightly since.

3:35

At the heart of the issue are provincial rules that currently allow municipalities excessive latitude when they enter into agreements with local utility companies to charge and collect these fees. The result is a real dog's breakfast of rates and methodology calculations right across the province. Not only are franchise fees higher in Calgary, but the fee is applied to the total charges on the utility bill, not just the more predictable delivery or distribution charges, as is the case for most other municipalities, including Edmonton. That means that when the price of natural gas or electricity goes up, Calgary's municipal government receives a windfall of new revenue and vice versa.

The more one looks at this issue, the clearer it becomes. Businesses and residents in certain municipalities are not being treated in an open and transparent manner. If the intent of the fee is to compensate local governments for access to their lands, there is simply no rationale whatsoever for linking the rate to the underlying price of the commodity.

Perhaps the biggest concern is the fact that there is so little public debate about such a big source of revenue. Although these municipal franchise fees appear as a line item on our utility bills each month, most residential and business consumers simply aren't aware these charges even exist. For instance, when we asked our members in October 2008, "Are you aware that municipal governments in Alberta charge an additional fee on electricity and natural gas bills called the municipal consent and access fee or local access fee?" only 39 per cent said yes; 69 per cent said no.

Perhaps part of the reason these fees are not well understood is the lack of uniformity and consistency in basic definitions and terminology used by governments and utility companies when entering into these agreements. At least when a municipal government wants to increase property taxes, there is generally some public debate and discussion about the issues, especially regarding if the increase is indeed needed and by how much. People generally understand that property taxes that they pay are based on assessed value of their property. But they can't necessarily say the same thing about how these franchise fees and access fees are calculated. Since they are levied as part of the overall utility bill and few people understand how they're calculated, the coffers of municipal governments are quietly padded, with residents and businesses unknowingly footing the bill.

Two of the fundamental principles of fair taxation are that the tax must be (a) visible and (b) understood. Franchise fees as they are currently calculated and levied by municipal governments in many parts of the province fail on both accounts. Thankfully, the private member's bill before us today proposes a uniform system for calculating and collecting municipal franchise and access fees right across the province.

For the sake of businesses and residents across Alberta, who pay hundreds of millions of dollars in these fees every year, we certainly hope this bill passes, ensuring that the annual reports that are made public by all municipalities report clearly the revenue that these fees generate. Having one common calculation method is the only way to ensure that all municipal utility consumers in Alberta are being treated in a completely open and transparent manner.

Thank you.

The Chair: Thank you for that presentation.

Mr. Allred with a question.

Mr. Allred: Thank you, Mr. Chair. Mr. Truscott, just one small question for clarification. You indicated that you've done a survey of whether people were aware that municipalities charge a franchise fee.

Mr. Truscott: Yeah.

Mr. Allred: You indicated the yeses were 39 per cent. You indicated the noes were 69 per cent. One of those figures must be . . .

Mr. Truscott: Sorry; 39 and 61 per cent. My apologies. That was a survey of our members, just for clarification.

Mr. Allred: Thank you.

The Chair: Thank you.

Mr. Taylor, please.

Mr. Taylor: Thank you, Mr. Chair. Well, Mr. Truscott, I don't know if the two sets of questions were asked in the same survey or not, but on the one hand here you report substantial percentages of your members who think that local governments are not accountable and transparent. Forty-three per cent, I believe you said, strongly agreed that they were not accountable and transparent. Yet we've heard from presenter after presenter – and it is an inescapable fact – that municipal franchise fees and local access fees are presented, and have been for years now, on the utility bill. Yet your own survey of your own members indicates that the significant majority of them don't know that it's there. How do you square that circle?

I mean, if the organization that's supposed to be accountable and transparent is doing what it's supposed to do – and maybe there is some room here for argument on that – and the people who are the recipients of that information don't recognize what it is, aren't reading the information, and then they turn around and say, "Well, my local government isn't accountable and transparent enough," you know, that doesn't add up.

Mr. Truscott: Yeah. It's my understanding that – I mean, when I look at my utility bill, when many of our members look at their utility bills, they do not see an explanation of what that fee is. They see a fee, and you see some other fees and some taxes and charges, but it's not clear exactly what that is. I think the fact that so few people, including businesspeople, truly understand the fee and realize what it is and what it's for or intended for speaks volumes about the other issue, about a lack of transparency and accountability by local governments.

The fact that it hasn't been explained to the public and hasn't been explained properly or effectively to small-business owners I think speaks volumes about the need for this bill to create a common calculation method for local governments and for the provincial government to communicate clearly about what these fees are and, potentially, to have a bit of public debate about that. I think that's good. That's how we change that. That's how we improve awareness, increase people's understanding of these charges, and lead to an informed public debate about whether or not they're fair. In our estimation they're not because there's such a dog's breakfast in the way that they're calculated: the rates, the methodology, all that stuff.

The Chair: Mr. Taylor.

Mr. Taylor: Thank you. Mr. Truscott, we've heard from a number of presenters that the problem they're having with this bill is precisely that it tries to be one size fits all and that municipalities are very different in their structure, their scope, their makeup, their composition, sometimes even their purpose.

Of our presenters today, you're kind of the minority voice here in that you're the one advocating for Bill 203, and most of the presenters we've heard from so far have been advocating that this committee recommend that it not pass. Can you comment on that? Can you comment on the notion that Bill 203 imposes a uniform, one-size-fits-all solution on what is seen by many as a variety of problems or issues?

Mr. Truscott: Right. I think there is a balance between giving municipalities some flexibility in the way they administer their own affairs but also having some consistent rules and guidelines and parameters for municipalities to operate within. I can see your point, but let's not forget that municipalities have access to property tax. In fact, that's a better, more transparent, open way to generate revenue for their operations. At least there is public debate about that.

My whole point was that there isn't a high level of awareness among the public and among small-business owners about the fees themselves, so the first step towards improving understanding and awareness is to create some rules, create some parameters around which these fees are levied. As it stands now, Calgary is clearly, you know, an outlier. They are clearly calculating both electricity and natural gas fees in a way that's completely different than other municipalities and generating a much higher amount of revenue as a result. I'd like to see there at least be some parameters put in place, whether it's through this bill or otherwise, where, generally speaking, municipalities are limited to what they can do with calculating and levying rates for these fees because as it stands now, as I say, there are some municipalities that are abusing that, it seems.

The Chair: One more question, Mr. Taylor.

Mr. Taylor: Thank you, Mr. Chair. This will be my last one, Mr. Truscott. Let's focus on Calgary for a second, if we can, because we've also heard that Calgary's property taxes are lower than Edmonton's by comparison, for instance, and I think it's fairly well known that Calgary's residential property taxes are on the low side nation-wide.

Mr. Truscott: Residential property taxes, yes.

Mr. Taylor: Residential property taxes, yes. So if this bill were to pass and it were to have the effect of reducing the take, if you will, by Calgary on the franchise fee side of the equation – and this is based on an assumption, of course, that Calgary will have to make up the shortfall somewhere and that that shortfall will be made up on the residential property tax bill – has your organization done any kind of calculation that would suggest the magnitude of the transfer of the fee and tax burden from business to individual ratepayers?

3:45

Mr. Truscott: From business?

Mr. Taylor: Uh-huh. From small business.

Mr. Truscott: No. I thought it was really interesting that when the city of Calgary was presenting, they talked about the volatility in the revenue and the fact that over the course of a couple of years they lost $60 million in revenue. They were pressed – "Well, how did you make up that shortfall?" – and they couldn't tell us whether it came from taxes or whether it came from expenditure reductions.

I think the point is that . . .

Mr. Taylor: But, sir, now I'm asking you whether you've done the calculations, whether the CFIB has done the calculations.

Mr. Truscott: No.

Mr. Taylor: So you can't tell us either?

Mr. Truscott: No. And I wouldn't agree with that kind of zero sum question. I don't agree with the premise of your question. You're talking only about revenues. What about expenditures? We're talking about a 3 and a half billion dollar budget. The fact that the city of Calgary struggles every year to find a few per cent to trim off that budget in order to balance the books and not have to go back to ratepayers for more taxes I think is astounding. I mean, any small business owner, any owner of a medium-size business would be able to trim expenditures and have to. That's the imperative of the market. But, unfortunately, our municipal governments are not constrained by that same sort of discipline.

Mr. Fawcett: Thank you, Mr. Truscott, for your presentation. I would presume that many of your members actually hedge against the price of the commodity, whether it be electricity or natural gas, whether it be buying futures or that type of thing.

Mr. Truscott: Yes.

Mr. Fawcett: My guess is that the number one principle behind doing so is price certainty. They don't care whether the price of their input is low or high. What they care about for their business planning is that they have a certain price so that they can plan their business structure.

Mr. Truscott: Yes.

Mr. Fawcett: So would you not agree that the way the city of Calgary currently charges these access fees and franchise fees, where a factor is the price of the commodity, actually is at cross-purposes to what most businesses really, really want? They want stability and cost certainty rather than cost volatility.

Mr. Truscott: Exactly. I agree with that statement completely. That's what small businesses do. That's what private enterprise does. That's what government should be seeking. So it does surprise me that they're willing to ride out the revenue roller coaster related to these revenues. Absolutely. I mean, what any business owner would want is stability in cost, predictability in cost. Allowing municipalities such as Calgary to charge an access or franchise fee on the total utility bill and, therefore, tying it to the underlying commodity price doesn't make much sense in business terms, no.

Mr. Fawcett: A follow-up. Would your members then agree that the municipality should be afforded some latitude to collect revenue, whether it be through property taxes or a fee, but that the structure of the way that the fee is charged actually really matters?

Mr. Truscott: Yes, it should matter . . . [interjection] Sorry?

The Chair: Go ahead.

Mr. Truscott: I'm sorry, Kyle. Can you repeat your question?

Mr. Fawcett: Yeah. Would your members agree that municipalities or any level of government should be afforded some latitude to collect the revenue that they require to meet the services that they want to deliver but that, really, the essence that we're talking about in this bill is not what revenue is being collected but how it's being collected and how that might fit into increasing the competitiveness of local businesses in our province?

Mr. Truscott: Sure. Let's look at it in terms of revenue streams and which revenue streams produce the highest degree of predictability, the highest level of accountability and transparency for the people that are paying the bills. That is squarely on the property tax side.

Now, the other way that I should point out – I mean, Mr. Taylor talked about how Calgary has the lowest residential property tax rates in the country. But let's be clear: they also have one of the highest nonresidential property tax rates in the entire country. In fact, according to assessed value, businesses in Calgary pay four and a half times more than a resident does.

So, I mean, that's a shell game; this is a shell game as well.

The Chair: Okay.

Mr. Benito: In addition to the predictability question that was asked by my colleague here on my left side, would you agree, Mr. Truscott, that since, as you mentioned, 61 per cent of your members are not aware of the reason why they pay such a franchise fee, that would translate, because they're also residential consumers, to the residential percentage of people who are not aware of this franchise fee that they're paying?

Mr. Truscott: Yeah. I think you could logically make that assumption. I'd like to see some public opinion polling to bear that out. I assume that would be the case, that most people, the majority of people, would not know that the fee exists or understand how it's calculated or what it's levied for.

Mr. Benito: Thank you.

The Chair: Thank you.

Mr. Chase, on the line, please.

Mr. Chase: Thank you. Thank you very much. My colleague Dave Taylor pointed out that if this Bill 203 was of great concern to Calgarians, they would voice their opinion come election time. Likewise for small business. No one is holding them captive to doing their business in Calgary. I would assume that some of the services that are provided as a result of this fee being collected are such that they counterbalance the costs of the fees in terms of serving as a deterrent. So my feeling is that there must be a number of businesspeople in Calgary who feel that the fee is worth it and a cost of doing business in a lucrative, successful city market, as Calgary provides.

In terms of wanting surety in terms of prices, considering that the majority of our energy is produced from nonrenewable resources – oil and gas and coal, the prices of which are set globally – unfortunately that kind of surety in prices is not going to occur.

I also find it somewhat paradoxical that individuals that believe in a free-market approach would be suggesting a higher regulation, that a provincial government regulate a municipal government. It seems contrary to the philosophy.

The Chair: Do you have a question?

Mr. Truscott: What's your question, sir?

Mr. Chase: Do you not see a paradox when you talk about a free market and then having one level of government enforce its will over another local level of government? Is there not a paradox there in terms of wanting regulation for convenience versus letting the market dictate?

Mr. Truscott: No. I think markets need clear, consistent, transparent regulation and as little as possible.

The Chair: Mrs. Sarich, please.

Mr. Truscott: If I could just, Mr. Chair, answer the other question that the member raised about city services and whether those equate with the fees that are being paid. Our research shows that the taxes and the fees that are paid by businesses in Calgary and likely in many other municipalities across the province do not bear a correlation to the services received. In fact, there was a Supreme Court decision that was referenced in the CFIB material that was provided to the committee. There was a Supreme Court decision in 1998 that said that there must be, in fact, a reasonable connection between the cost of the services provided and the fee. I can't imagine a case that's further away from that principle than the access fees and the municipal franchise fees as applied in Alberta, especially in Calgary.

The Chair: Okay. Thank you.

Mrs. Sarich, please. We need to wrap up here fairly soon, and we have a few more questions. Go ahead.

Mrs. Sarich: Thank you very much, Mr. Chair. Also, thank you, Mr. Truscott, for your presentation today. I'd like to go back to one of the points that was raised in the presentations by the various municipalities, including the AUMA, and some of the other documents that have been shared with the committee for consideration, the point being that from a municipality perspective, the issue of autonomy, we respect that autonomy. We have elected representatives at that level of government to make decisions serving the best interests of their constituents at the local level, and that has been repeated by those municipalities that had brought up that point.

Also, the second point – and it was pointed out in the presentation from the AUMA – is that the franchise charge is not a tax. I'm referring to one of the documents that was circulated today on decision 2001-52 of the AUMA. It says in here that it's "freely and voluntarily negotiated" between the municipality and the utility. I find it very interesting that from the perspective of your organization as a stakeholder group there wasn't an awareness or your looking for more transparency, as well, on this particular issue.

My question to your organization today would be: what effort have you made through your organization to get clarity from the municipalities across the province around this particular issue? After all, they have pointed out very eloquently that they're responsible to their electorate. They have the full authority to make those autonomous decisions. I'm very curious what your response would be to that.

3:55

Mr. Truscott: Sure. Provided that people understand the issues that are being presented to them and have enough information to make informed decisions about those issues. We're a very member-driven organization. We respond to the interests and the needs of our members and represent their views.

In terms of the efforts that we've made on this file, we were one of the first groups to actually raise the issue, to do some research, and to start asking the questions. I would draw your attention to the submission that CFIB made to the committee. The appendix is a report from 2005 in which we did survey municipalities from across the province to try to get some sense as to what the landscape looked like in terms of the rates and the methodologies used and the total percentage of utility bills in various parts of the province, those kinds of things. I think we've actually shown a leadership role on this issue and done a lot of research and done a lot of work in trying to raise awareness on these issues. Obviously, there's still work to do. There's still a significant portion of our members that aren't aware of what the fees are and how they're calculated and what they're used for, so absolutely.

I guess I'm not clear on your other point, how this fee is not a tax. You mention that it was freely negotiated between utility companies and the municipality, but individuals and businesses do not have a choice as to whether or not they pay it.

Mrs. Sarich: Just to clarify on this very point, I'm only reiterating the information that was passed to us today from the presentation made by the AUMA and the documents that were shared that stressed this. If you want, Mr. Chair, I could read the title of the document and the reference point. I'm just raising it because it was clarified by the AUMA.

Mr. Truscott: Okay. I know that the AUMA has also created standardized templates for these franchise agreements, which base the fee on a percentage of distribution or delivery charges. So even the AUMA sees logic in actually basing these franchise fees and local access fees on the delivery or distribution charges and not on the overall utility bill. Even their own templates point in a different direction than some municipalities are headed, which, again, in particular includes Calgary.

The Chair: Ms Notley, please.

Ms Notley: Thank you. I have two, maybe three questions, but I'll try to be brief. The first one goes back to a question that was originally asked by Mr. Taylor, wherein he asked you whether or not what you were looking at was trying to achieve a transfer from certain industrial customers to the residential customer. At the time you said that, well, you didn't really know if that would be the result but that you'd rather see a cut in services.

Mr. Truscott: No. I didn't say that, Mr. Chair.

Ms Notley: Well, you suggested that that was probably the way that it could be dealt with, that in fact they should be looking at reducing expenditures.

Mr. Truscott: I did mention expenditure control but not cutting services.

Ms Notley: Exactly. Okay. Well, let's just assume for the moment that money and services have some sort of correlation.

Mr. Truscott: Sure. They do. Yeah.

Ms Notley: Anyway, that was what was said. Subsequently you talked about your concern that in Calgary in particular, which is an area about which you're very concerned, obviously, residential tax rates are very low and business rates are relatively high and that it's sort of a false economy. Would it be fair to say, then, that the position of your organization would be that, say, in Calgary what ought to happen is that either expenditures are cut – and we're going to assume for the moment that there's probably some connection between expenditure and service – or residential taxes ought to go up? Is that your position?

Mr. Truscott: As it relates to this bill?

Ms Notley: Yes.

Mr. Truscott: Our position is that there needs to at least be control in the growth of operating expenditures by municipalities in order to prevent an increase in property taxes on either residences or businesses, expenditure control. Just because you're controlling expenditures does not necessarily equate directly to decreasing services, as is often argued. I don't buy that. I think there are better ways to deliver services, more cost-effective ways of delivering services for the same amount of resources.

The Chair: Mr. Taylor, please.

Mr. Taylor: Well, actually, I know we're short of time, Mr. Chair, and Ms Notley, I believe, had another question, so I'm willing to cede the floor.

The Chair: You're going to pass? Okay.

Ms Notley: I don't want to have a long debate on whether dollars equate to services or whether we can miraculously cut dollars . . .

Mr. Truscott: Or whether residences should pay more or whether businesses should pay less, because that's not directly, I believe, the content of the bill.

Ms Notley: Well, I do think that is actually a consequence of the conversation. I think that is, and I was asking you what you saw happening.

The Chair: Let's wait for the question, Mr. Truscott.

Ms Notley: I guess my next question is that you sort of suggested you were concerned about what appeared to be happening in some municipalities, and again you looked at Calgary, with them sort of going on I think it was, of course, the roller coaster . . .

Mr. Truscott: The revenue roller coaster?

Ms Notley: The revenue roller coaster, that sort of being done and how irresponsible that was in order to create a false economy of low taxes, essentially – you didn't say false economy – sort of this false sense of low taxes.

Mr. Truscott: I think I called it a shell game, actually.

Ms Notley: A shell game. Sure. So if you're concerned about that method of governance at the municipal level, would it be fair to say that your organization is also concerned about that method of governance at the provincial level?

Mr. Truscott: Sure. Yeah. We're all for transparency, accountability. Absolutely. I don't really understand the nature of the question. I'm sorry.

The Chair: We'll go to Mr. Allred, please.

Mr. Truscott: It seems to me to be a pretty – unless you're alluding to something else.

The Chair: Mr. Truscott, we'll go to a question from Mr. Allred, please.

Mr. Truscott: Okay. Thank you.

Mr. Allred: Thank you, Mr. Chairman. Mr. Truscott, based on your research and your own opinion, would it be your opinion or would it not be your opinion that taxpayers and/or candidates have enough knowledge of this franchise fee issue to raise it as a municipal election issue?

Mr. Truscott: I sure hope so. That's our objective, and we're communicating with our members on this issue and many other issues to try to raise their level of awareness and understanding of these issues so that they can ask the candidates their positions on the various issues and have an informed public debate. I mean, I think that's good. That's healthy.

As to whether or not they currently have that level of understanding, I don't know. I think there's work to be done, and that's the reason we exist, to pursue these issues, explain them to our members and to the public, and to hopefully gain some common understanding and better public policy as a result.

The Chair: Thank you.
Mr. Benito, please.

Mr. Benito: Mr. Chair, my question has been answered.

The Chair: Okay.
Any other questions?

Dr. Sherman: Thank you for your presentation. It's great to hear all points of view here. As a small-business owner I can appreciate transparency and low taxation and standardized comparatives. We have means, mediums, modes, averages, percentiles. It can be all over the place. As a citizen and a homeowner I need roads to drive to work, I need schools for my kids, and I need hospitals for my parents. You need those public services. In us making this decision – you heard a lot of the critique earlier as you sat in the back – what would we as policy-makers say to the critiques where it's a matter of respect for municipalities, that we would be disrespecting them in passing this bill?

You know, many people believe in global vision and local delivery. We have a municipal election coming up. They will be held accountable in not too long, in about eight weeks from now, on this issue. How would you answer that critique and question? Is this really a question of us needing to pass this bill or maybe of the city of Calgary doing what the city of Edmonton is doing? Which is a greater issue for you? For us to pass this legislation and have all those unintended consequences that you've heard from the elected municipal leaders?

Mr. Truscott: I'd say that a quicker way to get to the real issue would be to pass this bill, the goal being to introduce a greater level of transparency and accountability for the fees that are being generated. Absolutely. I think that's the best way to go.

The Chair: Thank you, Mr. Truscott. Thank you for attending and for your presentation here this afternoon. Thank you very much.

Mr. Truscott: You're welcome. Thank you.

The Chair: At this point we'll ask the representatives from FortisAlberta to take a place at the table, please.

I'd ask you to make an introduction for the record, and then the time is yours.

4:05

Mr. Litzenberger: Sure. I'm Rob Litzenberger. I'm director of customer relations for FortisAlberta. I want to thank the committee for the opportunity to present here today. We'll share a little bit of a weigh-in on this debate with a bit of a utilities' perspective.

I will turn it over to Dave Hunka, who's our manager of customer relations, for the presentation that he's pulling up here, and we'll walk you through.

The Chair: Thank you.

FortisAlberta Inc.

Mr. Hunka: Thanks, Rob. We'd like to thank Mr. Fawcett, too, and his staff for all the meetings that took place earlier in the year and having the opportunity to talk to him.

I'm just going to go over what FortisAlberta is very quickly here. We have approximately 900,000 poles, 110,000 kilometres of line, and about 484,000 customers. The blue area on the map shows our service territory. In the next two years we're planning to spend about $600 million in capital, and we've spent just over a billion dollars in capital over the last few years. We have approximately a thousand employees.

I think you've all just been given a handout. For our municipal governments that we look after, the franchise fee is definitely a source of revenue to cover off costs related directly to the distribution system. That would cover things like line moves, conversion from overhead to underground facilities, and street light additions and changes that take place. These vary from muni to muni, and I think it's important to realize that. That's why, when you look at our franchise fee list, they vary and why they go up and sometimes why they go down.

In 2009 approximately $11 million was distributed to municipalities as a result of our franchise agreements. We presently, right now, have 141 franchise agreements, and we're working with the AUMA on a new template. For FortisAlberta part of our long-term strategy in risk mitigation for our shareholders and customers and creditors is by securing these long-term agreements and long-term revenue. This also gives us the exclusive right to service that community, and also there's no charge, then, for the right-of-way itself.

The franchise fee itself, how it's calculated within our service territory: it's based upon distribution and transmission. For an example, if you had a municipality D and T total being $2 million at a franchise fee of 12 per cent – pretty straightforward – it's $240,000 that the muni would actually receive.

What we're actually in the process of doing, well, every year is that we inform and allow municipalities to either increase or lower their franchise fee. This graph – sorry that it's hard to read – is taking into consideration as much up-to-date information as we can give them. It's giving them six-month actuals of their franchise fee, broken out by rate class, and then what we estimate for the rest of the year, which is just really multiplying it by two, and then our percentage increase. It's important for them to realize that, especially this coming year. We have some substantial increases that are coming to our rate base, and this will make it a lot easier for municipalities to either raise or lower their fees or keep them the same, dependent upon what's taking place.

There are some municipalities, it's important to note, that under rate 65 – there is an example on this municipality – have actually gone back to large industrials and negotiated a different franchise rate as it might have been too high at the time, or they were collecting too many fees from that large industrial. So they'll do certain things that are like that.

When it comes to the franchise fee and cap, again, the cap is set within the franchise agreement not to go above 20 per cent. Many of our munis actually have a cap of zero because they just wanted a franchise agreement to secure their area, and that was something, obviously, that we wanted.

The annual process, basically, is that a bylaw is put forward, and it, of course, has to go through the three readings. It has to be advertised, notice has to be put out, and council meetings have to be held. They can do two readings at one time, and the third has to be held, actually, at a separate meeting. If it is passed, then it's presented to FortisAlberta. We submit it to the AUC for approval, and then the new rates roll out the following January. That is usually the schedule.

One of the things that we would like to see is a level playing field with the municipally owned distribution companies, where they have to file their changes to the fee and cap along with their actual franchise fee agreement, to be also approved by the AUC and to be public.

Our position, basically, is that we do see that there are risks as far as changing the formula or limiting municipalities' ability to collect a fee. We can see that it could lead to upward pressure on taxation, obviously. We also see that the fee is basically becoming a tax. That is what we're worried about. The formula should exclude, in our opinion, the retailer or commodity charges. We know that some municipalities do that but none in our service territory. Therefore, the fee is more predictable, it's easier to budget for, and it's more stable with the transmission distribution charges only.

The need for increased reporting around the amount of fees and so forth. I think that's definitely something that we would support, and I think that we as a utility also have a responsibility, where we can, to help municipalities out by providing, like the sample of the table that was there earlier, where the fees are coming from and how much and from all the different rate bases that they have.

I guess the other thing that we wanted to add just around that, too, is that there are other fees that are also on the bill that maybe should be considered. That would be the A-1 rider. There are other fees that we've seen from large municipalities, not too much in ours per se but with some of the larger ones, where we're being hit with fees to have our distribution system within the municipality, which we haven't really seen before. They come across not as a franchise fee, but they're coming across right to the utility. That's something that is a little different and worries me because of those increased costs.

As we stated earlier, too, the requirement for municipally owned facilities to file with the AUC.

That's really about it. Any questions?

The Chair: Okay. Thank you.

There are some questions. First, Mr. Taylor.

Mr. Taylor: Thank you. Mr. Hunka, I just have a couple of questions. For the first one, I need some clarification. I just didn't understand what you were talking about. You said that you had some fairly substantial changes to your rate base coming this year and that that could have an impact on the franchise fees, in essence, I gathered, a positive impact.

Mr. Hunka: Correct.

Mr. Taylor: Can you just go into a little detail?

Mr. Hunka: I sure can. Because of our rate increases that are taking place January 1 this year because of our filing, there are rate increases based upon all the different rate structures, being residential, farm, street lights, irrigation. As we increase our rates, since the fee is based upon a percentage of the distribution and transmission, the municipal governments would actually earn more. We want to make them very aware that as our costs go up, they would actually be receiving more money. We want to make them aware, if they wanted the opportunity to increase or keep the percentage the same or lower it, of the effect it would have. They're already going to see an increase if they keep the percentage the same.

Mr. Taylor: Okay. Thank you for that. Now I understand.

Now, the other question I had was about this point of yours that the formula should exclude retailer or commodity charges because of less fluctuation on consumer bills, difficulty in budgeting, that the fee is more predictable when based on more stable transmission and distribution charges only. If I heard you correctly – and I think I can refer back to it even in your presentation here – this is not an issue in the territory that you serve. Correct?

Mr. Hunka: That's correct.

Mr. Taylor: Please – and I mean this with respect – can you explain to me why you would care what Calgary or Edmonton or Red Deer does?

Mr. Hunka: Well, I think having a standard approach to the way that it's calculated. I know our municipalities use those fees to cover off costs that are directly related to the distribution system.

Mr. Taylor: Okay. And it works for them, right?

Mr. Hunka: Yes.

Mr. Taylor: And it works for you?

Mr. Hunka: Yes.

4:15

Mr. Taylor: It's not like the city of Calgary or the city of Edmonton is trying to impose a different regime on your municipalities. I'm not sure how you would feel about that if one of the big cities was, and I'm certainly suspicious that your member municipalities or the municipalities you serve would be none too happy about it.

Mr. Hunka: Yeah. There are also other concerns to take into consideration, that we don't do the end billing, so we wouldn't know what the commodity charges are, right? It's a little different when you have a municipally owned distribution system. If they are doing the billing for all that where we don't, we don't have access to what the retailers are charging, and we're dealing with all the retailers.

Mr. Litzenberger: I could maybe just add one comment to that. As we negotiated our franchise agreement, we were quite specific to leave the commodity rate out of it. Again, for the municipalities that we have franchise agreements with, it's working that way, so it would be something that would be a change to our franchise agreement if we had to go back and renegotiate. It's a very specific line item in our agreement. We would have to go back if we went to a formula that included commodity charges.

Mr. Taylor: Uh-huh. But if we left things the way they were, everything would be fine.

Mr. Litzenberger: Correct.

Mr. Taylor: Okay. Thank you.

The Chair: Mr. Allred, please.

Mr. Allred: Thank you, Mr. Chair. Mr. Hunka, you referred to costs related to the distribution system. What type of costs would those be that you don't pay directly? For instance, if you put in a new underground line and you need pavement torn up, I presume you pay directly to the municipality for that cost. What other costs do you include in a distribution system?

Mr. Hunka: Actually, we would only cover those costs if they were inside a county or an MD. The municipality is actually responsible for that cost. From my understanding, one of the original reasons why the municipalities got a franchise agreement was to actually cover off those costs. That's why I mentioned, like, you have a line move and streets being widened, so we have to dig up all of our transformers, all of our underground. All of the street lights have to be moved and all the secondaries. All that has to be covered by the municipal government. Part of the reason is that the only people that are benefiting from it is that local municipality, whereas when it's out in the county and in the MD, it's looked upon that that's benefiting everybody, and therefore it's covered by our rate base.

Mr. Allred: Okay. So if there is a line move, then the municipality pays for it. But if you have to tear up the pavement to maintain something, do you pay for it directly?

Mr. Hunka: No.

Mr. Allred: It's included?

Mr. Hunka: On the maintenance side, yes.

Mr. Allred: Oh. Okay. I wasn't aware of that.

Second question. Going back to your example on page 4, the franchise fee collected, $240,000. How much of that do you charge back directly to your customers? Exactly $240,000?

Mr. Hunka: Exactly. Its a flow-through cost, just like transmission costs are not our costs; they are flow through.

Mr. Allred: So there are no extra charges for administration?

Mr. Hunka: There is no admin fee.

Mr. Allred: Profit?

Mr. Hunka: No.

Mr. Allred: Do you know if GST is added onto that at the source of billing?

Mr. Hunka: In my understanding, absolutely.

Mr. Allred: Thank you.

The Chair: Mr. Fawcett, please.

Mr. Fawcett: Thank you, Mr. Hunka. I just want to make a comment. I found Mr. Taylor's questions very interesting because I don't know why he would ask this organization that question and fail to ask Edmonton because they are not impacted by this bill. Anyway, my question to Mr. Hunka. I'm seeking clarification from another presentation that we had earlier by a municipality. So your organization basically owns the poles and the wires that transmit and distribute electricity from where it's generated to where it's used. Is that correct?

Mr. Hunka: Yes. Well, from the substation.

Mr. Fawcett: Okay. From the substation. Fair enough. And you're compensated for doing such through a transmission and distribution charge – is that correct? – that's on every consumer's bill.

Mr. Hunka: Everyone's bill, yes.

Mr. Fawcett: That's approved by the Alberta Utilities Commission?

Mr. Hunka: That's correct.

Mr. Fawcett: Okay. Is one of the factors in what charge gets on a person's bill and that you receive in compensation for transmission and distribution not influenced or factored by the amount of energy consumed by that consumer?

Mr. Hunka: In the actual transmission rate and distribution rate there is a very small percentage that is related to the amount that they consume. The majority of the bill, though, is a fixed cost.

Mr. Fawcett: It's a fixed cost. Do you know what percentage that is?

Mr. Litzenberger: It varies depending on the rate class, but overall it's less than 10 per cent variable cost, I would say.

Mr. Fawcett: Okay. If the franchise fee in the municipalities that you serve is based on distribution and transmission, there is a slight factor that determines that fee based on the amount of energy or electricity consumed.

Mr. Hunka: There is. Small, but yes.

Mr. Fawcett: Okay.

Dr. Sherman: Thank you for your presentation. I have a question. The infrastructure that you build, the poles and the wires: you own them. When you charge the fees, do those fees cover the whole cost of the infrastructure that you put in or a partial cost or a payment of the cost?

Mr. Litzenberger: Yeah. I'm not sure I completely understand, but let me try this. When we put facilities, poles and wires, in the ground for a customer, we do invest in a certain amount based on our investment policy, and that's what we collect back from customers over time. If our actual cost to put in that facility is above the average cost, then we would collect a contribution from each customer. Then we would recover costs from all customers in that rate class over time. I'm not sure if that addresses it.

Mr. Hunka: Can I give you an example. Basically, if you had a farm customer, let's say, that had a couple of poles and a transformer and that's all that was needed, we would invest the $10,000 for that service. If that service cost $15,000, then that customer would have to come up with the extra $5,000. Then we get back our money through our rates, through the investment.

Dr. Sherman: Okay. Thank you.

The Chair: Mr. Allred, one last question.

Mr. Allred: Just one further follow-up question. Do you have any idea what it costs Fortis to administer this franchise agreement, drawing it up and administering it and doing all the charge out? Do you have any idea?

Mr. Litzenberger: We don't track that specifically. We're going through that process now, as David mentioned, in negotiations with the AUMA. Once we get a negotiation completed and then move forward, it's not a huge cost with the agreement itself. We consider the municipalities all to be key customers of ours. We deal very closely with them and have staff on the ground in these local municipalities providing the service. The franchise agreement itself is really just our exclusivity. Then the service that we provide is something that goes hand in hand with the agreement, but we don't track it specifically.

Mr. Allred: Thank you.

The Chair: Mr. Johnston, please.

Mr. Johnston: Thank you, Chair. On page 7 under the risks of changing the formula or limiting a municipality's ability to collect, one of the risks identified actually at the bottom is changing fees into a tax. Can you explain that for me?

Mr. Hunka: Well, I guess the comment on changing the fee into a tax is that when you standardize the percentage, whether or not the municipality wants it at let's say it's 5 per cent, it's no longer really acting like a fee; it's acting more like a tax. That's what I meant by that. If a municipality one year needs additional cash because they have lots of line moves and wanted to raise it to 8 or 10 per cent, they couldn't do that. They would have to come up with the funds someplace else.

Mr. Johnston: Okay. Thank you.

The Chair: Okay. Mr. Litzenberger and Mr. Hunka, thank you very much for your presentation this afternoon.

Mr. Hunka: Thank you.

The Chair: I would like to thank all of our presenters, some of whom are still observing the meeting this afternoon. Thank you very much for your presentation.

To the committee members, the committee has received three late submissions after the advertised deadline of June 15. Copies of these late submissions have been made available to committee members on our internal website. I guess I would ask the committee with regard to those late submissions: is it your wish to include those in the review of the bill? Those submissions were presented after June 15 from the town of Innisfail, the town of Blackfalds, and the rural municipality of Wood Buffalo. A motion . . .

Mr. Allred: To receive them.

The Chair: Okay. There has been a motion to

receive those and include those submissions as a part of the review.

Any further discussion to that? All in favour, please indicate. That's carried. Thank you.

At this point I'd like to ask Dr. Massolin to give us a review of the briefing document on the fees collected by Alberta municipalities, and then I'll open the floor for questions or comments from the committee. Dr. Massolin, please.

4:25

Dr. Massolin: Thank you, Mr. Chair. Maybe as I begin my overview, I've got another handout that relates to this document that should be circulated at this point, and I'll talk to that later.

Referring to the document that's entitled Municipal Franchise Fees and Local Access Fees Collected by Large and Medium-Sized Alberta Municipalities, this document was requested at the last committee meeting. What it does, basically, as you can see on page

3, is that it sets out the total amount of franchise and concession contract revenues received by 13 medium-sized municipalities in Alberta. It also indicates total revenues received by those municipalities – and these are both for the year 2008 – and, as was alluded to earlier in the meeting, the percentage that the franchise and concession contracts make up of the total revenue, and you can see those percentages laid out there. That's what the basic purpose of this briefing is.

If you flip over to page 4, you can also see in figure 2 there the percentage of the total amount of franchise and concession contracts accumulated or received in the province at large and the percentage by the individual municipalities indicated in that pie chart. Then there's some further information on the impact of Bill 203 there. That's basically the contents of that document.

The document that's being circulated right now contains information on 2009 franchise fees. This information has been gleaned from annual reports and has not been received, unlike the information from the first report, from the Ministry of Municipal Affairs. So it has some updated information. However, there are two cautions, Mr. Chair. The first is that the information is incomplete. As you can see from the chart, there's no information available for certain municipalities for 2009. Also, a second caution would be that there's a difficulty in comparing the franchise fees themselves among the municipalities because some of the municipalities – and I'll take Spruce Grove as an example – actually include something called concession contracts within the total fees, and other municipalities such as Calgary do not have concession contracts. So it's not an apples-to-apples comparison per se.

That's my presentation, and I'm ready to answer questions. Thank you.

The Chair: Thank you.

Any questions or comments from committee members? Mr. Allred, please.

Mr. Allred: Thank you, Mr. Chair. Dr. Massolin, I'm just having a little bit of difficulty rationalizing your figure 2, I guess, with figure 1. Is the difference in percentages only because you've added the other in there?

Dr. Massolin: That's right. Exactly. That's exactly it.

Mr. Allred: Okay. Thank you.

Mr. Benito: I'm just wondering. For Calgary it went down to $176 million, and Edmonton went up to $95 million plus. Can you explain the factor, why it went like that?

Dr. Massolin: Well, Mr. Chair, I'm not exactly sure, but I think there are two factors. As we've heard in the presentation, obviously the economic slowdown would have a role to play, but I think also another factor would be the difference in the value of the commodities because of the way in which the municipality of Calgary sort of calculated the methodology it uses. For both, on the electricity and natural gas side, it uses deemed value of the commodity, and there's been a reduction in the cost of the commodity on both the natural gas and electricity side from 2008 to 2009 accounting for the decrease in overall revenues.

Mr. Fawcett: I don't mean this to be a tongue-in-cheek question – it's actually very serious – but would that not be a lot easier of an answer to give if the methodologies used between the two cities were a common methodology?

Dr. Massolin: Well, it's an interesting question, Mr. Chair. I think the answer is a considered or sort of tentative yes. However, the other factor to consider in all of this is the difference, the variance in economic activities in each of the municipalities. I mean, in one way, yes, there would be a comparability there because the same methodology would be used. That's, I think, fairly obvious. On the other hand, you have the differences in terms of the cities' economies and the different rate classes and the way in which revenues are engendered in those areas.

Mr. Fawcett: Just a follow-up. So it would be simpler to say that you could probably pinpoint whether it went up or down based on if it was a common methodology, let's say an increase in the amount that was taken, an increase or decrease in the percentage by the municipality, but it might not totally explain it because of other factors such as economic or population growth, that sort of thing.

Dr. Massolin: Yeah. I would think that that's a correct assessment.

The Chair: Okay. Thank you.

Mr. Taylor, please.

Mr. Taylor: My question has been answered, Mr. Chair. Thank you.

The Chair: Okay. Any other questions or comments with regard to the presentation by Dr. Massolin? If not, thank you for preparing that material and presenting it to us this afternoon. I think it will be useful as we further consider the report.

Dr. Massolin: You're welcome.

The Chair: I would like to quickly remind the committee that we have been directed to report our findings on Bill 203 back to the Assembly on or before October 28, 2010. We've received a great deal of information on this topic through the research briefings, presentations, and the written submissions that have come from stakeholders. All of this information will be valuable as we deliberate and develop some recommendations regarding Bill 203. I would suggest at this point that we meet again later this month for deliberations and to give the committee staff direction for drafting a report. This will still leave us some time to review and approve a final report that will be tabled in the Assembly later this fall. Does anyone have any thoughts or questions with regard to that? Are you in agreement to that approach, basically that we meet again either later this month or early October to deliberate with regard to the report?

Mr. Taylor: Mr. Chair, I'm fine with that. Just wondering: will there be an opportunity for us individually to contact you or contact Ms Rempel and let you know any particular dates that we might have problems with?

The Chair: As we've always done, I would suggest that we would suggest a few dates to Ms Rempel, and then the committee would be polled to find the most appropriate date if you're good with that.

Mr. Taylor: I'm good with that.

The Chair: I mean, we can debate the dates here today, but it might be more efficient to do that electronically via our support staff.

Mr. Chase: Not to debate but just to inform as the Liberal party whip that we have our Tuesdays booked from here through to the 25th with caucus meetings, so I would prefer not to have the meeting scheduled on a Tuesday if you'd like the all-party participation aspect.

The Chair: Okay. Thank you.

Ms Notley: I want to start by apologizing if this is actually something that's already been done. I'm juggling so many committees and so many attachments that I could easily have missed it, so if I did, I apologize. Typically when we're doing these kinds of reviews, the research group ultimately does a summary of the submissions that have been put forward. Has that been done? Okay. So I've just missed it. Sorry about that. I wasn't sure if it might have been waiting for the end of the oral submissions. I'll look for it.

The Chair: I believe we have a summary posted on our internal website that's accessible now with regard to this.

Ms Notley: I'll look.

The Chair: Okay. Is there any other business that anyone wants to consider today? If not, and with your direction then, we will establish a best date for another meeting at a future date and see you later, either late September, early October, for our next meeting.

We'll adjourn this meeting. Thank you very much for your participation here this afternoon.

[The committee adjourned at 4:34 p.m.]

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