

Report to Council

☒ For Council Decision ☐ For Council Direction
☐ For Council Information



TOPIC:	Natural Gas Distribution System Franchise Agreement Bylaw No. 9/2025	July 8, 2025
---------------	--	--------------

PURPOSE:

The purpose of this report is to inform Council of the pending expiration of the Natural Gas Distribution System Franchise Agreement between Morinville and Apex Utilities Inc. and provide options for renewal. This agreement is renewed every ten (10) years.

RECOMMENDATION:

That Council approve 3rd Reading of the Natural Gas Agreement Distribution System Franchise Bylaw No. 9/2025.

RATIONALE:

Morinville's current 10-year franchise agreement, established through Bylaw No. 7/2015, expires on July 31, 2025.

This agreement enables Apex Utilities to install and operate natural gas distribution infrastructure within public areas of the municipality, while ensuring compliance with municipal standards. Without this agreement, Morinville would assume full responsibility for the ownership and operation of the gas distribution system.

REPORT INFORMATION:

A franchise agreement is a legal contract between Morinville and a utility provider, in this case, Apex Utilities, that grants the utility the right to access and use municipal rights-of-way (such as streets and sidewalks) to deliver natural gas services to the community. Note that the prior agreement was with AltaGas Utilities Inc., which was the previous corporate name of the current Apex Utilities.

This agreement provides a stable, non-tax revenue source through the collection of franchise fees from the utility. Approval of the new franchise agreement will ensure the continuation of this revenue. The agreement maintains the current franchise fee rate of 19%; however, Council retains the authority to change this rate at any time during the term of the agreement. Any change to the franchise fee rate must be approved by the Alberta Utilities Commission (AUC) before it can take effect. The maximum allowable rate under AUC regulations is 35%.

Importantly, if Morinville were to reject or discontinue the franchise agreement, it would be required to purchase all natural gas distribution assets within the municipal boundaries from Apex Utilities and assume responsibility for operating and maintaining the local distribution system—an arrangement that would present significant financial and operational challenges.

Approval of Bylaw No. 9/2025 will:

- Secure a long-term, predictable revenue stream through the continuation of the 19% franchise fee;
- Preserve Council's authority to adjust the franchise fee rate in the future, subject to AUC approval;
- Support ongoing investment in local gas infrastructure by requiring:
 - Transparent reporting from Apex Utilities;
 - Reduced municipal liability in relation to utility work;
 - Proper reclamation of work areas following construction or maintenance;
- Grant Apex Utilities exclusive access to municipal rights-of-way, enabling the company to obtain low-interest, long-term financing for infrastructure upgrades, contributing to lower construction costs and improved affordability for future service enhancements in Morinville;
- Avoid the significant cost and risk that would be associated with the Town purchasing and operating the gas distribution system independently.

IMPACT:

The renewal of this agreement will maintain the status quo and, as such, will not have any immediate impact on the municipality either financially or operationally.

NEXT STEPS:

If approved, a signed copy of the bylaw will be provided to Apex Utilities as well as posted to the index of bylaws housed on the Town's website.

PREVIOUS COUNCIL ACTION:

At the June 24, 2025, Regular Meeting of Council, Council approved first and second reading of the Natural Gas Distribution Franchise Bylaw No. 9/2025.

The Natural Gas Distribution System Franchise Agreement Bylaw 7/2015 was adopted at the August 9, 2015, Regular Meeting of Council.

ALIGNMENT:

Morinville 2022-2025 Strategic Plan:
Goal 3 - Financial Stewardship

PRESENTER:	T. Van Koughnett, Interim Finance Manager	ATTACHMENTS: <ul style="list-style-type: none">• Draft - Natural Gas Distribution Franchise Bylaw No. 9/2025• Bylaw No. 7/2015 – current natural gas distribution franchise bylaw
PREPARED BY:	T. Van Koughnett, Interim Finance Manager	
CLEARANCES:	M. Hay, Chief Administrative Officer T. Nosko, Interim General Manager, Corporate and Planning Services	