

# **MEMBER REQUEST FOR DECISION**

## **SPRING MUNICIPAL LEADERS' CAUCUS**

**DATE:**

February 18, 2026

**TOPIC:**

Removing GST from Municipal Franchise (Local Access) Fees Charged by Regulated Electricity and Natural Gas Utilities

**RECOMMENDATION:**

That Alberta Municipalities advocate to the Government of Canada (Minister of Finance and the Canada Revenue Agency) to amend the Excise Tax Act and Canada Revenue Agency administrative policy so that municipal franchise (local access) fees collected by regulated electricity and natural gas distributors are no longer subject to GST/HST on customer utility bills.

**BACKGROUND:**

Municipal franchise fees (also called local access fees) compensate municipalities for the use of public rights-of-way by regulated electricity and natural gas utilities. These fees are collected from customers through utility riders such as Fortis Alberta's Municipal Franchise Fee Riders and ATCO's Rider A schedules, and then remitted to municipalities according to approved franchise agreements approved through the Municipal Government Act and AUC Rule 029.

Under current federal policy, GST is charged on the entire distribution portion of the utility bill, which includes the municipal franchise fee. This means that residents and businesses pay the franchise fee and then pay GST on top of that fee, even though the fee itself is a municipal charge for right-of-way access. This effectively creates a "tax on a tax" and increases costs without improving service or municipal fiscal capacity.

This issue affects municipalities province-wide, urban and rural. Local Access/Franchise Fees are municipal charges authorized under the Municipal Government Act and may apply regardless of whether distribution is provided by investor-owned utilities (FortisAlberta, ATCO), Rural Electrification Associations (including EQUS), or rural natural gas co-operatives when distribution service operates within municipal boundaries. Utilities already segregate the municipal fee as a distinct line item, making federal zero-rating or exemption administratively straightforward.

Removing GST from the municipal franchise/local access fee line would provide targeted affordability relief to residents and businesses while preserving municipal revenue.



**Why this issue affects municipalities provincially:**

- Every Alberta municipality with distribution service is impacted, because the municipal franchise fee line appears on utility bills.
- GST on the franchise fee does not increase municipal revenue – it only increases federal collections and increases household and business costs unnecessarily.
- Smaller communities, rural communities, and communities with older infrastructure (where franchise fees may be higher due to right-of-way impacts) experience a disproportionate affordability burden.
- Utilities already segregate the franchise fee line in their billing systems, meaning the federal government could zero-rate or exempt that specific line with minimal administrative burden.

**How Alberta Municipalities can add value:**

- Provincewide advocacy: ABmunis is best positioned to deliver a unified, evidence-based request to the federal government to address this affordability concern.
- Technical clarity: ABmunis can work with utilities to communicate that changing the tax status of the franchise fee line is administratively simple, since rider schedules already isolate the fee.
- Legislative precision: The federal government would only need to amend the Excise Tax Act or issue revised CRA administrative guidance to zero-rate or exempt municipal franchise fees - a small technical change with a large public benefit impact.

**Connections to Legislation, Regulation, and ABmunis Initiatives:**

- Franchise agreements and rider schedules are governed through the Municipal Government Act, Electric Utilities Act, Gas Utilities Act, and AUC Rule 029.
- ABmunis has long advocated for affordability, transparency in utility billing, and fair municipal–provincial–federal fiscal relationships through its established advocacy channels.

**Why time is now to advance this issue:**

- The Federation of Canadian Municipalities Conference taking place in Edmonton in June provides opportunities for ABmunis and its members to raise these issues with Federal officials in attendance as well as with FCM and other delegates from across Canada.

**Summary:**

Municipalities should not see their residents pay a federal tax on a municipal tax-like fee. Removing GST from franchise fees is a targeted, implementable, and fairness-based affordability measure that preserves municipal revenue while reducing household and business costs. Alberta Municipalities' strong collective voice can help secure this change at the federal level.

## **ENCLOSURES:**

### **1. FortisAlberta – Municipal Franchise Fee Rider (Illustrative Excerpt)**

Derived from *Fortis Alberta Municipal Franchise Fee Riders – Effective Jan 1, 2025* [[mdgreenview.ab.ca](http://mdgreenview.ab.ca)]

#### **Fortis Alberta Municipal Franchise Fee Rider**

The Municipal Franchise Fee Rider is applied as a percentage surcharge on the total distribution tariff (transmission + distribution charges, excluding deferral riders). The applicable percentage for each municipality is defined in the AUC approved schedule.

*Examples (Central Alberta):*

- Sylvan Lake – 18%
- Blackfalds – 20%
- Lacombe – 17.63%
- Innisfail – 17%
- Rimbey – 20%

Fortis Alberta collects the fee from retailers monthly and remits it to each municipality in accordance with the franchise agreement.

(Source: *AUC Disposition 29609-D01-2024 – Fortis Alberta Municipal Franchise Fee Riders Table*) [[mdgreenview.ab.ca](http://mdgreenview.ab.ca)]

### **2. ATCO Gas – Rider A Excerpt (Illustrative)**

Drawn from *ATCO Gas & Pipelines Ltd. Rider A – Municipal Franchise Fee (North) and Rider A – South* filings. [[fortisalberta.com](http://fortisalberta.com)].

#### **ATCO Gas Rider “A” – Municipal Franchise Fee**

Rider A is a percentage applied to gross revenues (distribution charges, excluding GST) for customers in each franchised municipality. The percentage is determined by the municipality within the maximum allowed under the franchise agreement and is approved by the Alberta Utilities Commission (AUC).

*Examples (Central Alberta – North & South systems):*

- Sylvan Lake – 32% (North system)
- Red Deer – 35%
- Blackfalds – 35%
- Ponoka – 31%
- Caroline – 35%
- Innisfail – 27% (per AUC franchise notice)

Rider A amounts appear as a separate line item on natural gas bills and are remitted monthly by ATCO Gas to municipalities.



(Source: AUC Disposition 30052-D01-2025 – ATCO Gas North Rider A; AUC Disposition 29842-D01-2025 – ATCO Gas South Rider A; Town of Innisfail public notice confirming 27%) [\[fortisalberta.com\]](http://fortisalberta.com),

### **3. CRA – RC4049 ‘GST/HST Information for Municipalities’ (Illustrative Excerpt)**

From CRA publication RC4049 – *GST/HST Information for Municipalities* [\[media.auc.ab.ca\]](http://media.auc.ab.ca)

#### **CRA RC4049 – GST/HST and Municipalities (Excerpt)**

Under the *Excise Tax Act*, municipalities must charge, collect, and remit GST/HST on taxable supplies, unless the supply is specifically zero-rated or exempt.

GST/HST applies to most goods and services unless a specific exemption or zero-rating provision applies. Municipal services such as water distribution, sewerage, drainage, waste collection, and transit may be exempt or zero-rated depending on the statutory classification, but utility distribution charges (including electricity and natural gas) are generally taxable supplies.

Municipalities may claim GST/HST rebates for eligible purchases through the Public Service Bodies’ Rebate mechanism, but this does not remove GST from charges billed to consumers.

(Source: CRA RC4049 – *GST/HST Information for Municipalities*, sections on *Taxable/Exempt Supplies*, *Municipal Services*, and *Rebate Rules*) [\[media.auc.ab.ca\]](http://media.auc.ab.ca)