

29 August 2023

City of Lloydminster
4420 – 50 Avenue
Lloydminster, AB, T9V 0W2

Attention: Mr. Dion Pollard, City Manager

RE: ATCO Gas and Pipelines Ltd. Natural Gas Distribution Franchise Agreement

As you are aware, ATCO Gas pays the City of Lloydminster a franchise fee. The franchise fee is collected from customers in Lloydminster and is based on a percentage of our Delivery Tariff. In Lloydminster, this percentage currently is 25.00%.

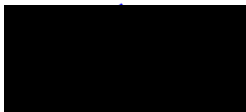
In 2022, our Delivery Tariff revenue in Lloydminster was \$10,332,765. Our forecast Delivery Tariff revenue for 2024 is \$9,961,083. Therefore, based on the current franchise fee percentage, your forecast 2024 franchise fee revenue would be \$2,490,271.

Please note that the forecast 2024 Delivery Tariff revenue can be impacted by changes in customer operations and weather. Additionally, ATCO Gas has utilized forecast 2024 delivery rates, however, they are not yet approved by the Alberta Utilities Commission. ATCO Gas commits to providing updated franchise fee revenue forecasts at a future date should there be material impacts related to the update of these forecast assumptions.

Pursuant to our franchise agreement, you have the option to change the franchise fee percentage in 2024. A request to change the franchise fee must be received by ATCO in writing prior to November 1, 2023. If you are considering changing the franchise fee in 2024, please contact us as soon as possible to begin the process.

We trust you will find this information useful, and, if you have any questions or require anything further, please do not hesitate to contact me at Blair.Bishop@atco.com.

Yours truly,



Blair Bishop
Manager, District Operations Northeast
ATCO Natural Gas Division