

January 2020 Electrical Rate Change – Federal Carbon Charge

ISSUE

On December 13, 2019, the Government of Saskatchewan announced a new Carbon Charge rate on electricity that will become effective January 1, 2020. This is an increase from the previous rate that came into effect on April 1, 2019, and will be used to offset costs resulting from the Federal Government's Carbon Tax.

The purpose of this report is to request approval of the new rates for the Carbon Charge within each of the residential and general service categories, and an equivalent percentage increase for street lighting and miscellaneous rates.

RECOMMENDATION

1. That the proposed January 1, 2020 rate changes be approved for Saskatoon Light & Power's rates, as outlined in this report; and
2. That City Council consider Bylaw No. 9671, The Electric Light and Power Amendment Bylaw, 2019 (No. 4).

BACKGROUND

On April 1, 2019, the Government of Saskatchewan implemented the first step in a multi-year plan to implement the Federal Government's Carbon Tax on electricity generation. The first step was based on a cost of \$20 per tonne of carbon dioxide equivalent emissions (CO₂e) in 2019, and rising to \$50 per tonne by 2022. SaskPower took this additional cost into account and created a new Carbon Charge rate that would recover this cost from customers. Saskatoon Light & Power implemented a matching charge for its customers.

On December 13, 2019, the Government of Saskatchewan announced the increased Carbon Charge rate that will become effective January 1, 2020.

The City has historically set its rates to match those established by SaskPower to ensure there are no inequities between customers regardless if they are located within the City's or SaskPower's franchise areas. The Federal Carbon Charge is applied on a kilowatt per hour (kWh) basis.

DISCUSSION/ANALYSIS

The proposed rate increase will have an overall 2.4% impact on rates for customers. Street lighting and other miscellaneous rates will increase 1.8% and 2.7% respectively. Below are the new rates that will be applied to each of the residential and commercial rate categories.

Rate Category	Cost per kWh
Residential	\$0.0063
General Service II	\$0.0063
General Service III	\$0.0063
General Service IV	\$0.0063
General Service V	\$0.0063
General Service VI	\$0.0060

Other possible options include a rate increase different from SaskPower's, or no rate increase at all. The Administration does not recommend either alternative to ensure customer rates are equal regardless of their service provider.

FINANCIAL IMPLICATIONS

The approved 2020 budget was based on an estimate Carbon Charge rate (on average) of \$0.0057 per kWh. In the budget, the Carbon Charge was estimated to cost Saskatoon Light & Power's operations a total of \$49,000; however, it had a positive impact to the mill rate of \$426,400, due to the increase in Grants-in-Lieu.

The higher rates now approved by SaskPower will cost Saskatoon Light & Power an additional \$105,600 over the approved 2020 budget, and will have an increased negative budgetary impact of \$13,400 on mill rate operations. The impact on the mill rate is a result of increased electrical costs for civic operations and street lighting. Saskatoon Light & Power's impact was offset by increased costs for power purchased from SaskPower, as well as increased Grants-in-Lieu provided to the City.

If the recommended rate increase is not approved, there would be a significant financial impact since the cost of purchasing bulk power from SaskPower will still go up. The financial implication would negatively impact the utility by \$2,805,900 annually, along with a negative impact of \$290,600 on mill rate operations.

OTHER IMPLICATIONS

There are no public and/or stakeholder involvement, policy, environment, privacy or CPTED considerations or implications.

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

NEXT STEPS

Upon approval of the electrical rate change, communications will occur to ensure customers are notified. The City website will also be updated to reflect the new electrical rates.

APPENDIX

1. Bylaw No. 9671, The Electric Light and Power Amendment Bylaw, 2019 (No. 4)

REPORT APPROVAL

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