

January 2021 Electrical Rate Change – Federal Carbon Charge

ISSUE

On December 17, 2020, the Government of Saskatchewan announced a new Carbon Charge rate on electricity that will become effective January 1, 2021. This is an increase from the previous rate that came into effect on January 1, 2020, 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.

This report presents Bylaw No. 9734, *The Electric Light and Power Amendment Bylaw, 2020 (No. 2)*, for City Council's consideration.

RECOMMENDATION

1. That the proposed January 1, 2021 rate changes be approved for Saskatoon Light & Power's rates, as outlined in this report; and
2. That City Council consider Bylaw No. 9734, *The Electric Light and Power Amendment Bylaw, 2020 (No. 2)*.

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 January 1, 2020, this rate was increased by the Government of Saskatchewan based on \$30 per tonne of CO₂e.

On December 17, 2020, the Government of Saskatchewan announced the next increase based on \$40 per tonne of CO₂e. The new Carbon Charge rate will become effective January 1, 2021.

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 0.34% impact on rates for residential customers. SaskPower estimates that the average residential customer will see an increase of \$0.50 per month. Street lighting and other miscellaneous rates will increase 1.8% and 3.0% 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	\$0.0070
General Service II	\$0.0070
General Service III	\$0.0070
General Service IV	\$0.0070
General Service V	\$0.0070
General Service VI	\$0.0067

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 2021 budget was based on an estimated Carbon Charge rate (on average) of \$0.0080 per kWh. In the budget, the Carbon Charge was estimated to cost Saskatoon Light & Power's operations a total of \$64,400; however, it had a positive impact to the mill rate of \$828,900, due to the increase in Grants-in-Lieu.

The rates now approved by SaskPower will cost Saskatoon Light & Power an additional \$109,700 over the approved 2021 budget and will have an increased negative budgetary impact of \$92,700 on mill rate operations. The impact on the mill rate is a result of decreased electrical costs for civic operations as compared to the budget, a decreased Grants-in-Lieu provided to the City, and increased costs to 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 \$875,000 annually, along with a negative impact of \$561,700 on mill rate operations.

The Saskatchewan Economic Recovery Rebated approved as part of the 2021 Budget Adjustments does not apply to the Carbon Charge rate.

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 and bylaw amendment, communications will occur to ensure customers are notified. The City website will also be updated to reflect the new electrical rates.

APPENDIX

1. Proposed Bylaw No. 9734, *The Electric Light and Power Amendment Bylaw, 2020 (No. 2)*.

Report Approval

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