

Proposed September 2022 and April 2023 Electrical Rate Increases

ISSUE

The purpose of this report is to request approval of an electrical rate increase effective September 1, 2022, and another rate increase effective April 1, 2023, matching SaskPower's approved rate increases.

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That the proposed September 1, 2022, and April 1, 2023, electrical rate increases be approved for Saskatoon Light & Power as outlined within this report; and
2. That the City Solicitor be requested to prepare the appropriate bylaw amendments to Bylaw No. 2685, *The Electric Light and Power Bylaw, 1940*.

BACKGROUND

The most recent general increase in electricity rates occurred on March 1, 2018, when a system-wide average increase of 3.5% came into effect. Since then, the Federal Carbon Charge has been implemented with annual adjustments. The Government of Saskatchewan also provided the Saskatchewan Economic Recovery Rebate in the amount of a 10% reduction in rates from December 1, 2020, to November 30, 2021.

SaskPower indicated in their current rate application that the main drivers of the requested rate increase were due to increases in the cost of fuel, purchased power expenses and modest increases in operating, maintenance, and administration expenses.

The City of Saskatoon (City) has historically set its rates to match those established by SaskPower. Matching the rates ensures there are no inequities between customers regardless of if they are located within the City's or SaskPower's franchise areas.

DISCUSSION/ANALYSIS

SaskPower submitted an application to the Saskatchewan Rate Review Panel (the Panel) on February 18, 2022, requesting a 4% average rate increase effective September 1, 2022, and a further 4% average increase effective April 1, 2023.

SaskPower identified that it was starting a multi-year process of revising its rate design methodology so that each component of the rates would accurately reflect the cost of providing that service for each customer class. SaskPower also announced that there would be some rate rebalancing between customer classes.

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Residential:

An average residential customer using 625 kWh of electricity each month will be impacted as follows:

	<u>September 1, 2022</u>	<u>April 1, 2023</u>
Service Charge	14.6% increase	14.9% increase
Electricity Charge	3.4% increase	1.2% increase
Federal Carbon Charge	no change	no change
Overall Change	5.5% increase \$7.00 / month increase	4.1% increase \$5.50 / month increase

Commercial:

There are several different rate categories for commercial customers depending on how much electricity they consume. Each category is impacted slightly differently, but is summarized as follows:

	<u>September 1, 2022</u>	<u>April 1, 2023</u>
Service Charge	9.7% to 15% increase	0.5% decrease to 15% increase
Electricity Charge		
1 st Block	8.2% decrease to 5.6% increase	5% decrease to 4% increase
2 nd Block	8.2% decrease to 5.6% increase	1.3% to 19% decrease
Demand Charge	14.9% to 23.1% increase	13.2% to 34.1% increase
Federal Carbon Charge	no change	no change
Overall Change	varies based on customer	varies based on customer

Reseller:

The rates that Saskatoon Light & Power (SL&P) pay to purchase electricity from SaskPower are also changing as follows:

	<u>September 1, 2022</u>	<u>April 1, 2023</u>
Service Charge	7% increase	4.5% increase
Electricity Charge	8.3% increase	3.6% increase
Demand Charge	1% decrease	5.1% increase
Federal Carbon Charge	no change	no change
Overall Change	3.85% increase	3.93% increase

The Panel considered SaskPower's application and held public meetings in Saskatoon and Regina in April to solicit feedback from the public and stakeholders. The Panel then recommended to the Provincial Government that the rate increases be approved.

The Provincial Government approved the 2022 and 2023 rate increases on July 28, 2022.

Administration is requesting approval to increase its rates to match SaskPower's rates. Given the short timelines associated with this rate increase, if Committee recommends the rate increase to City Council for approval, the City Solicitor's Office will prepare the appropriate amending bylaw for consideration by City Council at its August 29, 2022

meeting. Consideration of the amending bylaw by City Council alongside this report is required if the rates are to be effective on September 1, 2022.

It is also anticipated that the Federal Carbon Charge will increase on January 1, 2023. A follow up report in late 2022 will be provided if the increase occurs.

FINANCIAL IMPLICATIONS

The first rate increase will become effective September 1, 2022 and will impact the City's finances compared against the existing budget as follows:

- SL&P will have a positive financial impact of \$0.552 million due to increased sales revenue offset by increased bulk power costs.
- Saskatoon Water's utility will have a negative financial impact of \$0.033 million.
- The mill rate accounts will have an overall positive impact of \$0.084 million, as outlined below:

	<u>Amount (in Millions)</u>
Increased Grants in Lieu of SL&P	\$0.124
Increased Street Lighting Costs	(\$0.061)
Reduced Civic Electrical Costs	<u>\$0.021</u>
Net Mill Rate Impact	\$0.084

The second rate increase will become effective April 1, 2023 and will impact the City's finances compared against the existing budget as follows:

- SL&P will have a positive financial impact of \$3.60 million due to increased sales revenue offset by increased bulk power costs.
- Saskatoon Water's utility will have a negative financial impact of \$0.140 million.
- The mill rate accounts will have an overall positive impact of \$0.784 million, as outlined below:

	<u>Amount (in Millions)</u>
Increased Grants in Lieu of SL&P	\$1.108
Increased Street Lighting Costs	(\$0.317)
Increased Civic Electrical Costs	<u>(\$0.007)</u>
Net Mill Rate Impact	\$0.784

The positive financial impact for SL&P offsets the implications from having no rate increase since March 2018. There have been inflationary pressures on the utility during this time. The proposed rate increases will also help the utility to partially close the funding gap in the utility's asset management plan.

COMMUNICATION PLAN

Upon approval of the electrical rate change, customers will be notified through a Public Service Announcement, a City Page advertisement, and social media messages posted to the City's channels. The City website will also be updated to reflect the new electrical rates.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

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.

Report Approval

Written by: Sohaib Rehman, Accounting Coordinator II
Reviewed by: Trevor Bell, Director of Saskatoon Light & Power
Approved by: Angela Gardiner, General Manager, Utilities and Environment

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