

## January 2024 Electrical Rate Change – Federal Carbon Charge

### ISSUE

On December 8, 2023, SaskPower announced a new Carbon Charge rate on electricity that will become effective January 1, 2024. This is an increase from the previous rate that came into effect on January 1, 2023, 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. 9946, *The Electric Light and Power Amendment Bylaw, 2023 (No. 2)*, for City Council's consideration.

### RECOMMENDATION

1. That the proposed January 1, 2024, rate changes be approved for Saskatoon Light & Power's rates, as outlined in this report;
2. That a one-time payment to eligible customers under the Saskatchewan Electric Heat Relief program be approved, as outlined in this report; and
3. That City Council consider Bylaw No. 9946, *The Electric Light and Power Amendment Bylaw, 2023 (No. 2)*.

### BACKGROUND

In 2018, the Parliament of Canada passed the Greenhouse Gases and Pollution Pricing Act (GGPPA) which among things established a national price, with increasing stringency on carbon dioxide equivalent emission (CO<sub>2</sub>e). The GGPPA also contains two parts: (1) a regulatory fuel charge on fuels such as gasoline, diesel, and marketable natural gas; and (2) Output Based Pricing System (OBPS) which applies to industries including electricity generation (if they come from fuel based sources). The GGPPA was imposed on provinces, either fully or partially, who did not meet the benchmark emissions coverage or pricing stringency. The GGPPA prices CO<sub>2</sub>e emissions as follows:

- \$20 per tonne CO<sub>2</sub>e (2019)
- \$30 per tonne CO<sub>2</sub>e (2020)
- \$40 per tonne CO<sub>2</sub>e (2021)
- \$50 per tonne CO<sub>2</sub>e (2022)
- \$65 per tonne CO<sub>2</sub>e (2023)
- \$80 per tonne CO<sub>2</sub>e (2024)

In 2019, part 1 of the GGPPA was fully imposed on Saskatchewan, while part 2 was partially imposed, applying to only electricity generation and energy pipeline transmission. As a result, from 2019-2022 electricity generation by SaskPower was subject to the federal OBPS. If SaskPower’s electricity generation emissions exceeded the OBPS thresholds it would need to make compliance payments to the federal government.

SaskPower annually calculates the CO2e emissions resulting from its generating stations and determines the amount that it will need to make compliance payments in accordance with the part 2 of the GGPPA. SaskPower then sets a rate rider (listed as a carbon tax charge) that it recovers from its customers to make compliance payments. The rate rider is applied on a kilowatt per hour (kWh) basis.

Effective January 1, 2023, part two of the GGPPA no longer applies in Saskatchewan. This means that electricity generation in Saskatchewan is now regulated under Saskatchewan’s Output Based Performance Standards. This means future compliance payments by SaskPower will be made to the Government of Saskatchewan.

The City of Saskatoon (City) has historically set its Saskatoon Light & Power (SL&P) rates to match those established by SaskPower to ensure there are no inequities between customers regardless of if they are located within the City’s or SaskPower’s franchise areas.

## **DISCUSSION/ANALYSIS**

### Rate Change – January 2024

The proposed rate increase will have an estimated overall 0.31% impact on residential rates, resulting in an average increase of \$0.47 per month. The table below shows the new rates that will be applied to each of the residential and commercial rate categories.

<b>Rate Category</b>	<b>Cost per kWh</b>
Residential	\$0.0118
General Service II	\$0.0118
General Service III	\$0.0118
General Service IV	\$0.0118
General Service V	\$0.0118
General Service VI	\$0.0111

### Adjustment to Select Carbon Tax Rates (2020 to 2023)

Each year, SaskPower provides SL&P with the intended increases in carbon charges. SL&P reviews the information and applies the changes to its own rates. In performing the calculations for 2024, it was determined that an error had been inadvertently made by SL&P to two of the rate categories between the period of January 2020 and December 2023.

This error does not impact any residential or general commercial customers. It affects a limited number of specific customers who pay for unmetered services, rectifiers, and

cable boxes. Internally, it also affects the rates that SL&P charges the City for the operation of street lights and decorative lighting.

SaskPower provided the overall percentage of the carbon charge that was to be applied to those rate categories since the inception of the carbon charge. SL&P incorrectly interpreted the percentages as increases from the previous year, causing a compounding error of the carbon charge. This change has now been taken into account in the table above.

This correction will result in a refund for the mill rate operations and reimbursement to eligible customers who were overcharged due to this error. Administration is in the process of confirming qualifying customers for the refund of the overpayment. The estimated one-time financial impact on SL&P is expected to be a negative impact of \$440,700 related to street lighting and approximately \$77,300 for other unmetered services. The \$440,700 will have a positive impact on the City's mill rate street lighting program costs in 2023.

#### Saskatchewan Electric Heat Relief

The Government of Saskatchewan has announced it will remove the carbon charge rate rider for those who rely on electric heat as their primary source of home heating. This relief is effective from January 1, 2024, to April 30, 2024.

SL&P has historically set rates to match SaskPower's to ensure consistency and fairness among Saskatoon citizens, regardless of their electrical service provider. SL&P is proposing to provide an equivalent relief for its customers which will be reimbursed by SaskPower to offset the cost of providing this rebate to our customers. The rebate will be cost neutral for SL&P.

Administration is working on developing a process to identify eligible customers for this relief. Currently, the City does not track which customers use electric heat as the primary home heating source, which may make it challenging to administer the new program on short notice. Information will be posted on the utility's website as well as through social media to let customers know that they need to contact Corporate Revenue to be included in the rebate, if they are eligible.

Following the identification of eligible customers, a one-time rebate will be issued after April 30, 2024, based on total energy consumption from January 1, 2024, to April 30, 2024.

#### **FINANCIAL IMPLICATIONS**

The approval of the proposed carbon charge rate increase will have a negative financial impact of \$48,400 on SL&P's operation, while mill rate operations will have a positive financial impact of \$62,900. This is attributed to the increased Grants-In-Lieu provided to the City, which is partially offset by increased electrical costs for civic operations and street lighting. Saskatoon Water will have negative financial impact of \$33,700.

Therefore, the overall net corporate impact is estimated to be a negative financial impact of \$19,200, as outlined below.

	Amount (in Thousands)
Increased Grants-in-Lieu of SL&P	\$ 94,700
Increased Street Lighting Costs	\$ (8,500)
Increased Civic Electrical Costs	<u>\$ (23,300)</u>
<b>Net Mill Rate Impact</b>	<b>\$ 62,900</b>
Increased Electric Costs for Saskatoon Water	\$ (33,700)
Negative Impact on SL&P	<u>\$ (48,400)</u>
<b>Impact on Utilities</b>	<b>\$ (82,100)</b>
<b>Net Corporate Impact</b>	<b>\$ (19,200)</b>

If the recommended rate increase is not approved, there would be a significant financial impact on SL&P operations since the cost of purchasing bulk power from SaskPower will still increase. The financial implication would negatively impact SL&P by \$647,700 annually.

#### **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, the rate change will be communicated within the 2024 Rates and Fees Public Service Announcement to help notify customers, and any other actions in line with Corporate Revenue's rate change communications. The City's website will also be updated to reflect the new electrical rates. The Saskatchewan Electric Heat Relief program will also be communicated in the same ways.

#### **APPENDIX**

1. Proposed Bylaw No. 9946, *The Electric Light and Power Amendment Bylaw, 2023 (No. 2)*

#### Report Approval

Written by: Sohaib Rehman, Accounting Coordinator II  
Reviewed by: Trevor Bell, Director of Saskatoon Light & Power  
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Jeff Jorgenson, City Manager