

Electrical Rate Change – Pause on Carbon Charge Collection

ISSUE

On March 27, 2025, the Government of Saskatchewan announced a pause on the Industrial Carbon Charge under its Output-Based Performance Standards (OBPS) Program. As a result, the carbon charge will no longer apply to electricity consumed by SaskPower customers, effective April 1, 2025. In response to this decision, Saskatoon Light and Power (SL&P) is seeking City Council approval to remove a similar carbon charge currently applied to all SL&P customers, in order to align with the provincial direction. This pause would result in a temporary reduction in electricity rates for SL&P customers.

RECOMMENDATION

1. That Saskatoon Light & Power suspend application of the Carbon Charge and not apply it to rates payable by customers for the supply of electric current for light and power effective April 1, 2025, to December 31, 2025; and
2. That City Council consider Bylaw No. 10071, *The Electric Light and Power Exception Bylaw, 2025*.

BACKGROUND

Appendix 1 – Supplemental Information provides an overview of the Government of Canada’s carbon pricing legislation applicable to all provinces, recent policy changes across Canada and Saskatchewan, SaskPower’s determination of the Carbon Charge rate, and the most recent City Council resolutions related to this matter.

On March 27, 2025, the Government of Saskatchewan announced a pause on the Industrial Carbon Charge under the Output-Based Performance Standards (OBPS) Program, which will remove the Carbon Charge from SaskPower electricity bills effective April 1, 2025.

The City of Saskatoon (City) has historically aligned SL&P’s electricity rates with those set by SaskPower to ensure consistency and fairness for customers, regardless of whether they are located within SL&P’s or SaskPower’s service areas.

DISCUSSION/ANALYSIS

The proposed pause in the collection of the Carbon Charge is expected to reduce residential electricity rates by an average of 6.79%, resulting in an estimated monthly savings of \$10.46 for a typical residential customer.

The pause will also affect other customer classes. Street lighting rates will decrease by approximately 2.3%, while rates for unmetered services, rectifiers, and cable boxes will decrease by 5.2% per month.

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Proposed *Bylaw No. 10071, The Electric Light and Power Exception Bylaw, 2025*, suspends the application of the Carbon Charge from SL&P's electrical rates, effective April 1, 2025. The Bylaw will remain in effect until December 31, 2025, reflecting uncertainty surrounding the federal Output-Based Pricing System (OBPS) and potential changes following the upcoming federal election. Further direction from the federal or provincial governments is anticipated, and Administration will report back accordingly, no later than the December City Council meeting.

For rate classes where the Carbon Charge is built directly into the base rate—such as street lighting, unmetered services, rectifiers, and cable boxes—rates will be adjusted to exclude the Carbon Charge during the suspension period.

To align with the effective date of the provincial pause, Bylaw No. 10071 is being presented for approval at the same meeting as the recommendation to suspend the Carbon Charge and reduce rates. Should the recommendation not be approved, the bylaw will be withdrawn or deferred.

FINANCIAL IMPLICATIONS

The proposed pause on Carbon Charge collection between April 1, 2025, and December 31, 2025, is expected to result in a positive financial impact of \$254,500 for SL&P. Although SL&P's revenue is projected to decline by \$11.19 million, this is offset by a \$9.92 million reduction in bulk power costs and a \$1.52 million decrease in Grants-in-Lieu (GIL) payments. Together, these offsets result in a net surplus for SL&P.

Impacts on other utilities and mill rate-supported operations will be addressed in the mid-year financial update and captured through the City's regular variance reports to City Council.

If the recommended pause on Carbon Charge collection is not approved, it would lead to overcharging SL&P customers, as the charge would remain in-place despite the elimination of associated costs. In this case, SL&P would experience a significant positive financial impact of approximately \$9.92 million when compared to the 2025 budget, primarily due to the continued collection of the Carbon Charge alongside reduced bulk power purchase costs. In addition, SL&P customers would be paying a higher electricity rate than those in SaskPower's franchise area.

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 Bylaw No. 10071, *The Electric Light and Power Exception Bylaw, 2025*, the temporary rate reduction will be communicated by a Public Service

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Announcement and any other actions in-line with Corporate Revenue's rate change communication processes.

Should there be further Provincial changes related to the application of the Carbon Charge, Administration will report back to City Council at the appropriate time.

APPENDICES

1. Supplemental Information
2. Proposed Bylaw No. 10071, *The Electric Light and Power Exception Bylaw, 2025*

Report Approval

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