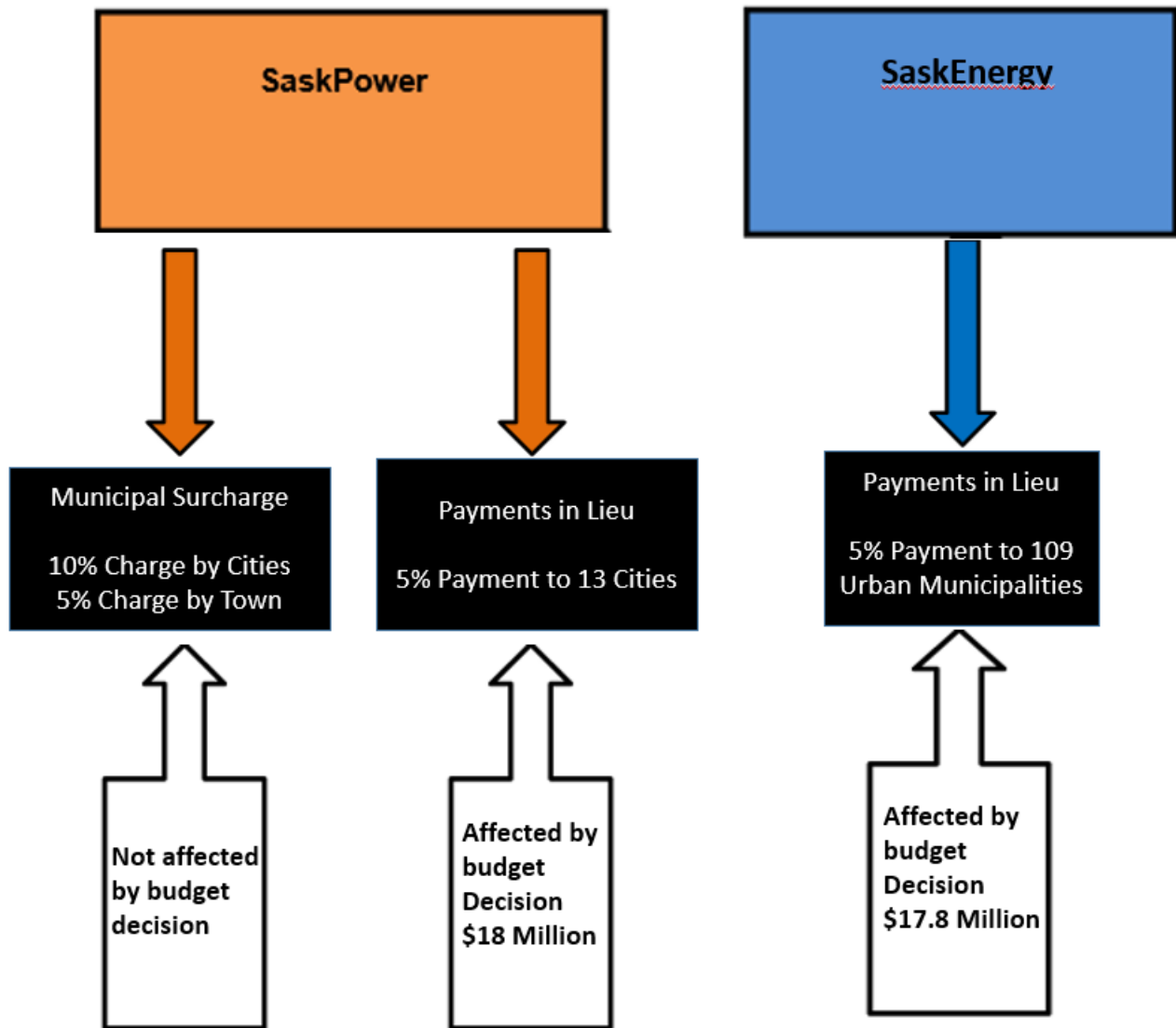


Impact of the Loss of SaskPower and SaskEnergy Payments to Urban Municipalities



Municipal Surcharges and Payments in Lieu of Taxes

There is considerable confusion over the terms of the Municipal Surcharge versus the Grants in Lieu of Property Taxes and Payments in Lieu that the Crown Corporation utilities SaskPower and SaskEnergy pay to cities, towns and villages.

SaskPower:

Cities:

Cities receive a municipal surcharge and grants-in-lieu of taxes because SaskPower does not pay property taxes within the city's boundaries. The 'payments-in-lieu' are based on agreements signed with Saskatchewan communities over 60 years ago, when local power and energy companies were absorbed into SaskPower and SaskEnergy. These agreements were to return 5 % of utility revenue generated in each community, to the affected community, in perpetuity.

Municipal Surcharge:

All cities receive a 10% municipal charge that is applied to the SaskPower bill of all residents and businesses in the City. All towns and villages receive a 5% municipal surcharge that is applied to the SaskPower bill of all residents and businesses in the town or village.

In 2017, it is estimated that the City of Yorkton will receive \$2.2 million from the surcharge. The surcharge is not affected by the government's budget decision.

The authority for this is provided for under Section 36(2) of the *Power Corporation Act*. This section of the Act permits SaskPower to add to the monthly account for electrical energy of every customer in the city "a sum not to exceed ten per cent thereof, and shall pay the proceeds of such additional charge to the council of the city as a payment in lieu of taxes, monthly, or as the parties otherwise agree."

Payments-in-Lieu - SaskPower: 13 cities in Saskatchewan receive a 5% payment from SaskPower, over and above the municipal surcharge. The 'payments-in-lieu' are based on agreements signed with Saskatchewan communities over 60 years ago, when local power and energy companies were absorbed into SaskPower and SaskEnergy. These agreements were to return 5 % of utility revenue generated in each community, to the affected community, in perpetuity.

In the City of Yorkton, the Payment-in-Lieu is on the revenues collected by SaskPower within the City limits. These payments are submitted to the City on a quarterly basis to cover the use of City land for SaskPower infrastructure. This is based on gross electric revenue paid to the Cities serviced by the Corporation. **In 2017, the City estimates the Payment-in-Lieu loss from SaskPower to be \$1 million.**

Payments-in-Lieu - SaskEnergy: There is no surcharge for SaskEnergy. The SaskEnergy Act requires SaskEnergy to remit a payment to each of 109 urban municipalities. This payment is calculated as a percentage of natural gas sales revenue collected within the municipality. **In 2017, the impact to the City is \$0.5 million.**

Payments-in-lieu - TransGas:

A similar arrangement is in place for TransGas. **In 2017, the impact to the City for TransGas is a loss of \$0.1 million.**

Grants-in-Lieu SaskPower and SaskEnergy

The elimination of the 'grants-in-lieu' program, whereby crown corporations pay the equivalent of what would be their taxes on their buildings, "will mean **an additional loss of some \$20,000** to the City.

Proposed Provincial Legislative Amendments:

According to the estimates for the 2017/18 Provincial Budget, the Government is intending to introduce the following legislation this spring:

The Miscellaneous Statutes (SaskPower and SaskEnergy) Amendment Act, 2017

The purpose of this Act is to provide authority for Saskatchewan Power Corporation and SaskEnergy Incorporated to redirect to the General Revenue Fund (GRF) the amounts that are currently paid to municipalities as grants or payments in lieu of taxes. The additional revenue paid to the GRF is reflected in the 2017-18 summary budget revenue and will be used to support the expenditures as set out in the Estimates.