

The Co-op and Community Difference

Co-operative and community-owned natural gas utilities are uniquely different from all other Alberta gas utilities and retailers. We are all locally-owned with any rates or fees set locally. Any funds generated are re-invested back into the utility to operate or improve the gas system. That keeps the utility responsive to the very community that it serves, and allows the people living in the community to have a say on their rates and fees through their locally-elected board or council.

There are different types of natural gas distributors in Alberta: Investor-owned, Co-operative, and Community-owned. Each gas distributor has a provincially-set franchise area that gives them the exclusive right to supply natural gas in that geographical area. But there are key differences between the Investor-owned, and the Co-operative and Community-owned models.

Co-op and Community Gas Distributors

Co-op and Community natural gas distributors are locally-owned and operated. The locally-elected board (for co-operatives) or council (for municipalities and First Nations) govern the utility on behalf of the co-op members or community ratepayers. Most operate on a non-profit basis, and all operate on the basis that any surpluses are retained within the utility itself (there are no dividends or profits paid out). The rates are set by the board or council, which include the direct cost of gas, and may include fixed and/or variable fees to cover the costs of operating and administering the utility.

Co-op and community gas distributors have both the obligation and exclusive right to supply natural gas to customers in their franchise areas. From this legal obligation and exclusive right, for-profit, competitive retailers are not permitted to sell natural gas in co-op or community franchises. The local utility is the retailer and flows-through gas costs to the consumer. The gas costs come from Gas Alberta (*see Gas Alberta below*) on a monthly basis. This flow-through nature of the cost doesn't allow for customers to lock in rates.

Through Gas Alberta's gas procurement process, monthly rates are usually lower than competitive retailers' fixed price options. Since November 2018, the average end-use consumer of a Federation Member Utility has saved approximately \$1,200 through Gas Alberta's rates as compared to the average of fixed rate options over the same period. Some local utilities may also offer budget bills with a pre-set amount to pay each month.

Investor-owned Gas Distributors

Investor-owned gas distributors are usually owned by shareholders and operate on a for-profit basis. Natural Gas distribution rates are set by the company but must be approved through the Alberta Utilities Commission (AUC). The AUC allows the investor-owned gas distributor to include a profit in their gas distribution rates, and are able to apply for cost-recovery fees if a loss occurs.

The investor-owned gas distributor does not directly interact with the consumer, that is left up to natural gas retailers. It is the retailer that the consumer contracts with for their supply of gas. The investor-owned gas distributor charges the retailer the cost of transporting the natural gas to the consumer plus any riders they may have; the retailer passes on those costs to the consumer along with any administrative or other fees the retailer may have. With retailers, customers may be given the choice to lock in rates for set periods of time, which can provide rate stability but are generally higher than current market rates.

Gas Alberta

Gas Alberta Inc. is owned by the majority of Member Utilities of the Alberta Gas Co-ops Ltd. It is Gas Alberta's mandate to purchase natural gas supply from the market for these utilities at rates lower than the regulated natural gas retailers.

Cost of Gas

Prior to the start of each month, Gas Alberta designs a natural gas rate (on a \$ per GigaJoule (GJ) basis) to cover its estimated gas costs to supply Federation utilities for the upcoming month (to see current and past Gas Alberta rates visit:

<https://www.gasalberta.com/gas-market/gas-rates-in-alberta>)

This monthly pooled rate is then forwarded to the utilities to charge their customers. This rate is affected by market forces. As the market price for natural gas increases or decreases, so does the cost of gas for residents and businesses. On top of the monthly pooled rate, Gas Alberta charges to the utilities a small variable rate to cover the costs of administration and goods and services relating to the safe and reliable supply of natural gas to consumers.

The Co-op and Community gas utilities may charge additional fees to cover the costs of administering, operating, and maintaining the gas utility and supply.

Fixed Delivery Charge

The fixed delivery charge (or Monthly Service Charge) is designed to recover the costs that do not vary with consumption of gas including administration, design/installation of pipelines and meters. These show up on a bill as a single line item and the dollar value may not change from month to month.

Variable Delivery Charge

The variable delivery charge is designed to recover the costs that vary with consumption of gas. These are principally related to capital and operating costs, including labour, materials and supplies. The utility may break this out on a bill separate from the cost of gas or included as part of a gas consumption line item. The cost will vary dependent on how much natural gas a customer consumes in a given month. (i.e. a \$3/GJ gas rate, plus a \$1/GJ variable rate = \$4/GJ. If that customer uses 10 GJ of gas in a month, their consumption charge would be \$40 that month.)

Federal Fuel Charge

The Federal Fuel Charge is part of the Federal government's climate action plan to reduce greenhouse gas emissions. It is a per GJ rate applied to the consumption of gas in a month. Utilities are required to collect the Federal Fuel charge from consumers.

The rates reflect a carbon pollution price of \$40 per tonne of carbon dioxide equivalent (CO₂e) in 2021, rising by \$10 per tonne to \$50 per tonne in 2022.

The Federal government does not have an official schedule of increases however, the government has promised rates increasing \$15 per tonne per year up to \$170 per tonne CO₂e by 2030.

Estimated Federal Fuel Charge Rates (\$ / GJ)

2024 (\$80 per tonne) \$ 4.21

2025 (\$95 per tonne) \$ 4.99

2026 (\$110 per tonne) \$ 5.78

2027 (\$125 per tonne) \$ 6.57

2028 (\$140 per tonne) \$ 7.36

2029 (\$155 per tonne) \$ 8.15

2030 (\$170 per tonne) \$ 8.94