

DISTRIBUTION RATES BACKGROUNDER

The Issue

The ATCO service area has the highest distribution costs in the province. Currently, households pay an average of \$108 monthly, compared to \$32 in urban centres. Rural residents have long accepted trade-offs like this as part of the cost of living in a geographically large region with relatively low population density. However, these rates are far out of line with other, similar cost discrepancies, disincentivizing investment and economic growth.

An industrial facility in the ATCO service area with a 4,000 kW demand would pay approximately \$319,000 in annual distribution fees. That same facility in the Fortis Alberta service area would pay between \$67,000 and \$152,000 per year. Since 60 per cent of the energy demand in the ATCO service area is driven by industrial customers, this is a serious discrepancy.

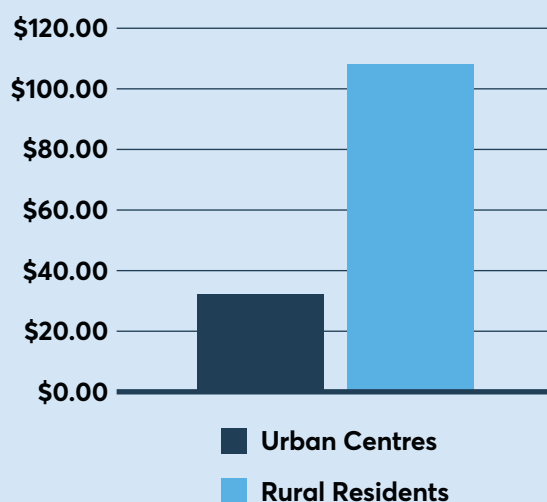
By ensuring that costs remain unequal, Alberta's most dynamic region for resource development—including agriculture, oil and gas, forestry, and mining—will forgo investment dollars. This is not only because higher distribution costs increase the cost of doing business, but also because it will make the region less attractive to the skilled labour needed for economic growth, further disincentivizing investment.

Previous Efforts

ATCO has done its part, reducing or planning to reduce distribution rates by \$500 million between 2023 and 2028, a total reduction of eight percent. However, despite these reductions, rates remain far higher in ATCO service areas than in others across the province.

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Monthly Distribution Costs



The Effects

Cost disparities are making it increasingly difficult to attract investment. In a time of economic uncertainty, margins matter more than ever. Our region is one of Alberta's most important for resource extraction, from oil and gas to farming to forestry, and we need to remain competitive if we are to attract global capital that can move to any jurisdiction.

Of course, it affects residents, too. An extra thousand dollars a year matters during economic uncertainty and high inflation. That cost-of-living issue also affects the ability to attract industrial investment. If we cannot attract the workers industry needs, we won't attract more investment.

For Alberta's economy, it is essential that all regions of the province can attract investment and seek the best possible returns on investment.

The Solution

We have the answer: new legislation is needed, like in other provinces that have managed similar issues. By crafting legislation or developing new regulatory mandates, distribution rates must be equalized across the province, catalyzing the economic growth of our region and the entire province. Until this new legislation is passed, interim measures such as performance-based regulation (PBR), targeted financial relief, and grid modernization pilot projects must be a priority.



Image: ATCO Service Area (in white)

Timeline

