

FACT SHEET

The Government of New Brunswick's recent decision to legislate changes to the Gas Distribution Act could have serious negative consequences for the public distribution of natural gas in New Brunswick and also for the province's reputation as a good place to conduct business.

We want New Brunswickers to know all the facts associated with this decision before the regulations associated with the legislation are finalized. It is our hope that informed New Brunswickers will agree that the actions of their government in this situation should be questioned.

THE FACTS: GOVERNMENT ASSUMPTIONS (comments from Energy Minister, Craig Leonard)

1. **"We simply have to respect the EUB's jurisdiction here."** [Source: *Telegraph Journal* – April 6, 2011]
 - The legislation and proposed changes to the regulations are inconsistent with the Energy & Utilities Board (EUB) decisions.
 - EGNB has always respected and followed the decisions of the EUB.
2. **"This is a complex problem (to understand) we have to go back to the premise of the natural gas system being set up in NB."** [Source: *CBC Radio (Information Morning – Fredericton)* – April 7, 2011]
 - The original gas distribution model that was set up in New Brunswick included not only the Enbridge Gas New Brunswick (EGNB) franchise for public natural gas distribution, but also Single End Use franchises that were granted to large industrial companies. Any proposed solution to this complex problem should then take into account the full distribution model, not just the EGNB franchise.
3. **"(We need to) balance the situation to allow businesses to be competitive and with what Enbridge's needs are as they put up money to build a system they should be able to recoup and earn a rate of return."** [Source: *CBC Radio (Information Morning – Fredericton)* – April 7, 2011]
 - The legislation puts Enbridge's ability to recoup the money invested to build the system and earn a return on that investment at risk.
4. **"I'm sure that they are not going to look at it as a positive, that is an asset that they have been making a very generous rate of return on for the last number of years."** [Source: *CBC Online* – December 9, 2011 (<http://www.cbc.ca/news/business/story/2011/12/09/nb-leonard-enbridge-gas-reforms-853.html>)]
 - The rates of return that have been earned by EGNB were either contractually agreed to within the franchise agreement or otherwise determined by the EUB. The government regulator, the EUB, viewed them as appropriate.
 - EGNB has re-invested all profits back into the business to support commitments within the franchise agreement that were established with the Government of New Brunswick.

5. **“New Brunswickers are paying amongst the highest natural gas distribution rates in North America with no relief in sight.”** *[Source: Minister’s statement in the Legislature – December 9, 2011]*
- The Government of New Brunswick created the current distribution model where 80% of the natural gas volumes within the province are distributed to holders of Single End Use franchises, who contribute nothing towards lowering delivery rates for customers on the public distribution system. Given that the costs of the public system must be borne by users of only 20% of the natural gas volumes distributed in the province, there was no reasonable expectation or possibility that New Brunswick rates could be compared to mature gas utilities in other regions of North America.
 - It was this realization that led the Government and Enbridge to enter into the current distribution rate model, which has targeted the delivery of savings to every customer who has switched to natural gas from alternative sources of energy.
6. **“New Brunswick natural gas customers simply have not benefited from lower prices under the current market-based system used to determine gas distribution rates in our province.”** *[Source: Minister’s statement in the Legislature – December 9, 2011]*
- Customers on the EGNB system have benefited by an estimated \$80 million reduction in energy costs since the franchise came into service.
 - Customers have not fully benefited from continuing declines in natural gas prices because that is the market structure that the Government of New Brunswick created.
7. **“It will provide a stronger incentive to the franchise holder to add more customers in order to create a sustainable system.”** *[Source: Minister’s statement in the Legislature – December 9, 2011]*
- The lower rates expected as a result of the proposed regulations will substantially restrict future investment from EGNB. There will be no incentive for EGNB to make future investments in growth, in part due to concern that those investments could be in jeopardy as well.
8. **“It will lower the cost of business for many New Brunswick companies and make New Brunswick a much more attractive investment opportunity.”** *[Source: Minister’s statement in the Legislature – December 9, 2011]*
- EGNB is not aware of any large industrial project that has chosen not to invest in the province due to its distribution rates.
 - The Government made a decision, independently, to change the rules partway through a long-term agreement that an organization had based its investments on. This should create obvious concerns for any organization considering investing in New Brunswick.