



## **REASONS FOR DECISION**

**IN THE MATTER OF** an application by Enbridge Gas New Brunswick for approval to implement the anticipated mandatory federal fossil fuel charge to its customers as of April 1, 2019.

(Matter No. 437)

April 3, 2019

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

**IN THE MATTER OF** an application by Enbridge Gas New Brunswick for approval to implement the anticipated mandatory federal fossil fuel charge to its customers as of April 1, 2019.

(Matter No. 437)

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD:**

Chairperson: Raymond Gorman, Q.C.

Vice-Chairperson: François Beaulieu

Member: Michael Costello

Counsel: Ellen Desmond, Q.C.

Chief Clerk: Kathleen Mitchell

**APPLICANT:**

Enbridge Gas New Brunswick: Len Hoyt, Q.C.

**PUBLIC INTERVENER:** Heather Black

## **A. Introduction**

- [1] Enbridge Gas New Brunswick (EGNB) is a public utility, regulated by the New Brunswick Energy and Utilities Board (Board or NBEUB). EGNB is a distributor of natural gas in New Brunswick and this distribution is governed by the *Gas Distribution Act, 1999* (GDA).
- [2] By correspondence dated February 25, 2019, EGNB advised the Board of its legal obligation pursuant to the *Greenhouse Gas Pollution Pricing Act, S.C. 2018 c. 12* (GGPPA) and the draft regulations thereunder.
- [3] EGNB notes that as a fuel distributor, it is required to register with the Canada Revenue Agency (CRA) prior to the implementation of the carbon charge on April 1, 2019. It must report and remit the net carbon charge monthly thereafter.
- [4] EGNB states, in part, as follows:

### **EGNB's Statutory Obligations Pursuant to the GGPPA**

EGNB is a fuel distributor as defined in the GGPPA and distributes natural gas within New Brunswick, a federal backstop jurisdiction. EGNB is therefore obliged to:

- (a) register as a fuel distributor with CRA;
  - (b) calculate and report to CRA the volume of natural gas delivered on a monthly basis; and
  - (c) remit the carbon charge applicable to the volume of natural gas delivered on a monthly basis.
- [5] The carbon charge on marketable natural gas in New Brunswick, as a federal backstop jurisdiction, for the period of April 1, 2019 to March 31, 2020 is legislated at \$0.0391 per cubic meter. This amount escalates over the following years to \$0.0979 per cubic meter as of April 1, 2022.
- [6] EGNB requests Board approval to implement the anticipated mandatory federal fossil fuel charge to all of its non-exempt customers, commencing April 1, 2019. Thereafter, EGNB proposes to charge the corresponding escalated annual legislated unit rate for natural gas, all in strict accordance with and as set forth in Schedule 2 of the GGPPA.

[7] The customer-related carbon charge is to be displayed as a separate line item on the customer's bill.

[8] EGNB states that not all of its customers will be impacted by the implementation of the carbon charge. Industrial customers who are participants in the Output-Based Pricing System will be exempted, as may certain other EGNB customers eligible for an exemption certificate.

## **B. Analysis**

[9] Having reviewed the GGPPA, EGNB's submission and supporting documentation, the Board notes that:

- The Government of Canada has listed New Brunswick as a jurisdiction where the GGPPA federal backstop will apply.
- Pursuant to the GGPPA, and as a fuel distributor in New Brunswick, EGNB is legally required to collect and remit monthly the Federal Carbon Charge (and associated HST) applicable to the volume of natural gas delivered.
- The GGPPA federal backstop consists of two components for implementation. The component that applies in this case is the Fossil Fuel Charge, equivalent to \$20 per tonne of CO<sub>2</sub>, emitted in 2019, increasing annually by \$10 to a maximum of \$50 per tonne of CO<sub>2</sub> emitted in 2022.
- The GGPPA federal backstop exempts certain persons from the application of the carbon charge. EGNB's implementation plan will exempt certain customers of the Federal Carbon Charge upon receipt of an exemption certificate from the CRA.
- Pursuant to the GGPPA, the Federal Carbon Charge assessed to EGNB's non-exempt customers will be \$0.0391/cubic meter of natural gas for the period of April 1, 2019 to March 31, 2020. HST will apply to the Federal Carbon Charge.
- EGNB's customer communication plan regarding the implementation of the Federal Carbon Charge includes customer education materials on its website (currently available) as well as a direct mailer to customers before the April 1, 2019 implementation date.

- [10] It is important to note that this charge does not constitute a change to EGNB's rates or tariff because it is a mandatory charge, imposed by law by the Government of Canada for a public purpose. It is therefore appropriate to pass this charge on to consumers through their customer bills.
- [11] Although public notice of EGNB's correspondence was not required because the charge did not affect the rates or tariff, the Board determined it would be in the public interest to publish a notice on both the EGNB and NBEUB websites and to provide a comment period. The Board also directed EGNB to file its communication plan in relation to the fossil fuel charge, which was filed on March 12, 2019.
- [12] The Board did receive comments from the Public Intervener on March 20, 2019. In her correspondence she specifically notes that EGNB should provide additional information with respect to:
- a) EGNB's proposed calculation of the carbon charge; and
  - b) The proposed process for dealing with exempt customers.
- [13] EGNB did provide this additional information in correspondence dated March 22 and March 26 and the Board is satisfied that the issues raised by the Public Intervener have been addressed.

### **C. Conclusion**

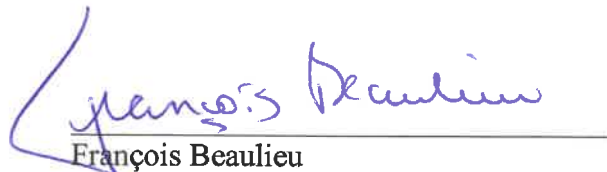
- [14] Having considered all of the above, the Board approves the addition of the Federal Carbon Charge to EGNB's customers' bills, commencing April 1, 2019.

Dated in Saint John, New Brunswick, this 3<sup>rd</sup> day of April, 2019.



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Raymond Gorman, Q.C.  
Chairperson



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François Beaulieu  
Vice-Chairperson



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Michael Costello  
Member