

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: FRANCHISE AGREEMENT

- 1. The natural gas distribution model in the province was developed by the Government of New Brunswick.**
 - They granted the Enbridge Gas New Brunswick (EGNB) franchise for public natural gas distribution in the province.
 - They granted the Single End Use franchises to a select group of large industrial users which account for more than 80% of the natural gas distributed in the province.
- 2. Given that the costs of the public system would have to be borne by users of only 20% of the natural gas distributed in the province, there was no reasonable expectation that gas distribution rates could be compared with other regions where natural gas had been well-established over several decades. This realization led the Government and Enbridge to enter into a model that focused on the delivery of savings to every customer who switched to natural gas from alternative sources of energy.**
 - Minister Leonard, April 6, 2011:
 - "EGNB had a mandate to deliver cost savings to customers."
 - "This was a valid premise and made sense 10 years ago."
 - "It's important to note that customers are still saving money."
 - Without EGNB, homes and businesses in the province would not have access to natural gas, and would not be incurring any savings over other fuel sources.
- 3. EGNB has invested, developed and operated the system since 1999, consistently following the rules of the franchise agreement, which were set by the Government, including:**
 - Multiple Energy & Utilities Board (EUB) approvals and decisions regarding financial responsibility and accountability.
 - EUB decision that EGNB is still in the development phase and will be until it can recover all costs approved by the EUB – which include the deferral account. EUB statement, "EGNB's ability to recover [the deferral account] is dependent on market forces which are out of EGNB's control."

4. **Enbridge entered into the agreement knowing that it was a long term commitment.**
 - Growing a new business.
 - Long-term capital payback horizon.
 - EUB-mandated amortization of the deferral account through 2040.

5. **Holders of Single End Use franchise agreements have received significant savings, and continue to reap those benefits.**
 - Single End Use franchise agreements were only granted to large industrial companies in southwestern New Brunswick.
 - These organizations contribute nothing towards lowering delivery rates for customers on the public distribution system.

6. **The Government's proposed legislation and regulations threaten the recovery of \$180 million of EGNB's deferral account..**
 - The franchise agreement states, "The parties acknowledge that those specific items set out below [including the use of a deferral account] were relied upon by the gas distributor as being integral to the proposal and constitute fundamental terms of the agreement. The gas distributor and the Province confirm their intention that there should not be any amendment by the Board, in any way, to such items unless the Province and the gas distributor have first agreed to such amendment."

7. **The Government has invested no capital to help develop the natural gas business in New Brunswick. EGNB has invested nearly \$500 million.**
 - Amendments threaten future investment in growing the distribution system by Enbridge.

8. **Were EGNB a stand-alone enterprise, with third party debt, the actions suggested by the government's legislation could lead to the bankruptcy of the business.**