

## Fuel: Atlantica Centre for Energy says high gas distribution prices are forcing big firms to use other fuels or leave New Brunswick

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A New Brunswick energy organization is warning of a potential "death spiral" in the natural gas market associated with industrial customers and suggests the government can either keep the status quo or overhaul the system.

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More consumption of natural gas would lead to better pricing for the fuel for industrial customers, too, supporting economic development, the Atlantica Centre for Energy says.

The second option would see the province pick up the tab for Enbridge Gas New Brunswick's deferral account for losses, at about \$155 million.

Under the current framework, those losses would be recouped from charges to customers once Enbridge is deemed a mature utility.

The firm inked a 20-year agreement with the province in 1999, with the aim of signing up 70,000 customers in 23 communities.

To date, the utility has about 10,300 customers - its growth having been stymied by several market-related factors.

The Atlantica Centre for Energy says in a report released recently that the prices for natural gas distribution for big industrial consumers in New Brunswick are already well above what competitors are paying across all of North America but Hawaii.

Referring to the KPMG Competitive Alternatives 2010 study, the report says that in New Brunswick, a metal components fabrication facility that consumes 28,895 cubic metres of gas per month would pay US\$207,000 annually, nearly four times the annual figure of \$54,000 for Texas.

The comparatively high prices are forcing these large industrial users to consider switching to another source of energy or exiting New Brunswick altogether.

If big industrial firms were to leave, Enbridge would have to redistribute costs to support the entire system onto other industrial, commercial or residential customers or into the deferred revenue account, the organization says.

"Continuing loss of load could therefore lead to more customers exiting the system, forcing even higher rates and setting in motion the death spiral," the report says.

Left alone, the high prices for natural gas will pose challenges to attracting more industrial investment to the province, the report says.

Under the second option, the government would reset the system by taking up all or part of Enbridge's deferral account to establish a more viable operating framework.

The industry group argues there is a public interest in having a broader rollout of natural gas in New Brunswick where it makes economic sense.

The fuel provides diversity in energy supply, which means if more New Brunswickers heat their homes with gas, NB Power would burn less high-cost peaking power during winter months, saving money and lowering carbon emissions.

More consumption of natural gas would lead to better pricing for the fuel for industrial customers, too, supporting economic development, the group says.

Energy Minister Jack Keir dismissed the idea that the taxpayer could pick up the tab for the losses Enbridge has racked up from building gas distribution infrastructure in the province.

He acknowledged far fewer New Brunswickers than anticipated have switched over to natural gas and that the utility's losses have grown beyond what was expected.

"There's no question that something has to be done there and this is Enbridge's issue that they have to deal with," Keir said.

Dave Charleson, general manager for the gas distributor, said he's not lobbying the government to bear the responsibility of paying back his company's deferral account.

"Our position would be that the system is working. It is getting there," Charleson said.

But he said if the government were to reopen the agreement with Enbridge, which accounts for just under 20 per cent of the provincial gas distribution system, it should re-examine deals with the large industrial companies not part of the Enbridge distribution network that pay a much cheaper rate to take gas directly off the Maritimes and Northeast Pipeline.

"You can't look at one small piece of the puzzle and figure that's going to fix the system."