

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.P. 46(2020)

1 **IN THE MATTER OF** the *Petroleum Products*
2 *Act*, SNL 2001, Chapter P-10.1 and regulations
3 thereunder; and
4

5 **IN THE MATTER OF** a review by the Board
6 of the allowed wholesale and total allowed mark-ups
7 for price regulated motor fuels in Newfoundland and
8 Labrador.
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10
11 **WHEREAS** the Board commenced a review in 2019, pursuant to s. 8.1(1) of the *Petroleum*
12 *Products Act*, of the allowed wholesale and total allowed mark-ups for price regulated petroleum
13 products in the province (the “2019 Review”); and
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15 **WHEREAS** to assist in the 2019 Review the Board retained the services of its financial
16 consultants, Grant Thornton LLP (“Grant Thornton”), to update the percentage cost-based model
17 presented in its report “2012 Study of the Costs of Supply and Distribution of Maximum Price
18 Regulated Petroleum Products in the Province of Newfoundland and Labrador” filed as part of
19 the Board’s 2012 margin review; and
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21 **WHEREAS** the 2019 Review was conducted in two parts: i) Part A reviewed the retail portion
22 of the total allowed mark-up for price regulated heating fuels, and ii) Part B reviewed the
23 allowed wholesale and total allowed mark-ups for price regulated motor fuels (gasoline and
24 diesel); and
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26 **WHEREAS** on October 2, 2019, following completion of Part A of the 2019 Review, the Board
27 issued Order No. P.P. 41(2019) approving increases in the total allowed mark-up for price
28 regulated heating fuels in the amount of: i) 1.71 cents per litre for furnace oil heating fuel; ii)
29 1.90 cents per litre for stove oil heating fuel; and iii) 3.49 cents per litre for propane heating fuel;
30 and
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32 **WHEREAS** on June 10, 2020 Grant Thornton filed its report “2020 Review of the Costs of
33 Supply and Distribution of Maximum Price Regulated Petroleum Products in the Province of
34 Newfoundland and Labrador – Part B” (the “2020 Grant Thornton Report”) which set out: i) the
35 percentage changes in operating and distribution costs for identified cost categories for gasoline
36 and diesel motor fuels from 2012 to 2019; ii) a review of the Board’s current pricing mechanism
37 for mid- and premium-grade gasoline; and iii) a proposed increase in the total allowed mark-up

1 for both gasoline and diesel motor fuels of 1.92 cents per litre, consisting of an increase of 0.80
2 cents per litre in the allowed wholesale mark-up and an increase of 1.12 cents per litre in the
3 retail portion of the total allowed mark-up; and
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5 **WHEREAS** on June 19, 2020 the 2020 Grant Thornton Report was distributed to wholesalers
6 and retailers of motor fuels in the province and the Board received sixteen comments; and
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8 **WHEREAS** a number of the comments received from wholesalers and retailers expressed
9 concerns in relation to the assumptions used by Grant Thornton, in particular those related to the
10 cost category allocations and the use of national data instead of Newfoundland and Labrador
11 specific data, and proposed alternate assumptions for certain cost categories; and
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13 **WHEREAS** on July 15, 2020 the Board wrote Grant Thornton requesting comments on certain
14 of the issues raised in the comments filed by the wholesalers and retailers; and
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16 **WHEREAS** on August 26, 2020 Grant Thornton filed a letter in response to the Board's request
17 which set out: i) alternate cost allocation assumptions for some cost categories; ii) its acceptance
18 with respect to the use of Newfoundland and Labrador specific data; and iii) a revised proposed
19 increase in the total allowed mark-up for both gasoline and diesel motor fuels of 2.46 cents per
20 litre, consisting of an increase of 0.91 cents per litre in the allowed wholesale mark-up and an
21 increase of 1.55 cents per litre in the retail portion of the total allowed mark-up; and
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23 **WHEREAS** the Board notes that the last adjustment to the allowed wholesale and total allowed
24 mark-ups for gasoline and diesel motor fuels in the province was made in Order No. P.P. 2(2015)
25 based on data up to 2012; and
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27 **WHEREAS** the Board is satisfied based on the 2020 Grant Thornton Report and the August 26,
28 2020 letter from Grant Thornton as well as the comments filed by the wholesalers and retailers
29 that the adjustments to the allowed wholesale and total allowed mark-ups for gasoline and diesel
30 motor fuels proposed by Grant Thornton on August 26, 2020 are justified at this time and should
31 be approved; and
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33 **WHEREAS** the Board has determined that the additional recommendations set out in the 2020
34 Grant Thornton Report, including those related to the margins for mid- and premium-grade
35 gasoline and the timing and process for future reviews, should be addressed by the Board at a
36 later time.

1 **IT IS THEREFORE ORDERED THAT:**

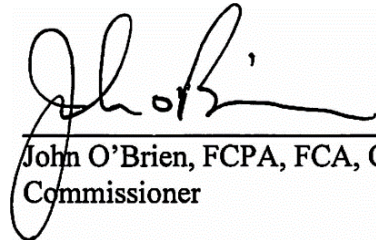
- 2
- 3 1. The adjustments to the allowed wholesale mark-up and the total allowed mark-up for all
- 4 grades of gasoline and diesel motor fuels in all zones, as set out below, to be effective as of
- 5 October 1, 2020, are approved.

Adjustments to Allowed Mark-ups – Motor Fuels (cents per litre)	
Gasoline	Adjustment
Wholesale Mark-up	+0.91
Retail	+1.55
Total Allowed Mark-up	+2.46
Diesel	Adjustment
Wholesale Mark-up	+0.91
Retail	+1.55
Total Allowed Mark-up	+2.46

DATED at St. John's, Newfoundland and Labrador, this 29th day of September, 2020.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Cheryl Blundon
Board Secretary