

MEDIA RELEASE

June 10, 2021

Thursday, June 10, 2021

Weekly Adjustment of Maximum Prices of Regulated Petroleum Products

Further Changes to Labrador Pricing Model in Certain Zones

Effective 12:01 a.m. Thursday, June 10, 2021, the Public Utilities Board set maximum prices for all regulated petroleum products in all areas of the province.

For the Island the changes to maximum fuel prices are as follows:

- all types of gasoline motor fuel will increase by up to 1.6 cents per litre (cpl);
- diesel motor fuel will increase by up to 2.7 cpl;
- furnace oil heating fuel will increase by 2.20 cpl;
- stove oil heating fuel will increase by 2.20 cpl; and,
- propane heating fuel will increase by 1.4 cpl.

These maximum prices reflect the change in the average benchmark price of the products over the current pricing period. As an example, the average benchmark price for gasoline, as tracked on the New York Mercantile Exchange (NYMEX) and converted to Canadian dollars, increased over the period by 1.38 cpl, resulting in an increase of up to 1.6 cpl, accounting for taxation and rounding.

Maximum Price Adjustments for Labrador

Maximum price adjustments for Labrador incorporate the changes in the average benchmark prices over the current pricing period as well as various changes to the pricing model, as discussed in the attached Backgrounder, which include:

- a lifting of the suspension of maximum price adjustments for diesel motor fuel and stove oil heating fuel in Zone 12 and for all regulated fuels in Zones 11a and 14;
- a change to the stove oil benchmark in Zones 11a and 14 from 100% Ultra Low Sulfur Diesel to 100% Ultra Low Sulfur Kerosene;
- interim increases in the zone differentials for gasoline and diesel motor fuels, and stove oil and mark-ups for propane heating fuels in various Labrador pricing zones; and
- a suspension of maximum price adjustments in Zones 10, 11, 11a, 11b, 12 and 14 for all fuels, with the exception of propane heating fuel, until resupply in the fall.

A number of these changes are related to the Board's ongoing review of the pricing model for regulated petroleum products in Labrador and follow the recent changes set out by the Board in Order No. P.P. 58(2020) issued in November 2020.

The impact on maximum prices in the Labrador pricing zones as a result of the changes described above and the regular weekly price adjustment are outlined in the following table:

Zone	Product	Weekly Benchmark Change ¹ (cpl)	Interim Changes ²	Change in Maximum Price (with HST, where applicable) ³ (cpl)
Zone 10 (Labrador - the Straits to Red Bay)	Gasoline	+1.38	+3.0	+5.03
	Diesel	+2.32	+2.0	+4.97
	Stove Oil	+2.32	+2.0	+4.32
	Propane	+1.44	n/a	+1.44
Zone 11 (Labrador South - Lodge Bay/Cartwright)	Gasoline	+1.38	+3.0	+5.03
	Diesel	+2.32	+2.0	+4.97
	Stove Oil	+2.32	+2.0	+4.32
	Propane	+1.44	n/a	+1.44
Zone 11a (Coastal Labrador South - Tanker Supplied)	Gasoline	+30.80	+8.0	+44.62
	Diesel	+27.17	+9.0	+41.60
	Stove Oil	+32.22	n/a	+32.22
	Propane	+9.52	+12.0	+21.52
Zone 11b (Coastal Labrador South - Drum Delivery)	Gasoline	+1.38	+3.0	+5.03
	Diesel	+2.32	+2.0	+4.97
	Stove Oil	+2.32	+2.0	+4.32
	Propane	+1.44	n/a	+1.44
Zone 12 (Central Labrador)	Gasoline	+1.38	+1.0	+2.73
	Diesel	+23.15	+1.0	+27.77
	Stove Oil	+23.15	+1.0	+24.15
	Propane	+1.44	n/a	+1.44
Zone 13 (Western Labrador)	Gasoline	+1.38	n/a	+1.58
	Diesel	+2.32	n/a	+2.67
	Stove Oil	+2.32	n/a	+2.32
	Propane	+1.44	n/a	+1.44
Zone 13a (Churchill Falls)	Gasoline	+1.38	n/a	+1.58
	Diesel	+2.32	n/a	+2.67
	Stove Oil	+2.32	n/a	+2.32
	Propane	+1.44	n/a	+1.44
Zone 14 (Coastal Labrador North)	Gasoline	+30.80	+8.0	+44.62
	Diesel	+27.17	+9.0	+41.60
	Stove Oil	+32.22	n/a	+32.22
	Propane	+9.52	+12.0	+21.52

The next scheduled price change is Thursday, June 17, 2021.

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¹ For Zones 11a and 14, the weekly benchmark changes noted for stove oil heating fuel include the change to the benchmark from 100% Ultra Low Sulphur Diesel to 100% Ultra Low Sulphur Kerosene.

² Includes both interim zone differential changes and interim changes to the propane heating fuel mark-ups.

³ Actual changes may vary by +/- 0.1 cpl due to rounding.

NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

BACKGROUND

Embargo until 12:01 a.m., Thursday, June 10, 2021

Further Changes to the Pricing Model for Labrador Petroleum Products

The Board's review of the pricing model for regulated petroleum products in Labrador was initiated in May 2020 and is ongoing. On November 25, 2020 the Board issued Order No. P.P. 58(2020) setting out a number of changes to the pricing model for Labrador in certain pricing zones, including:

- changes to the zone differentials on an interim basis for Zones 10, 11, 11b and 12;
- a change to the benchmark used in the calculation of maximum prices for stove oil heating fuel in Zones 10, 11, 11b, 12, 13 and 13a; and
- the suspension of maximum price adjustments in Zones 10, 11, 11b and 12 for all fuels, with the exception of propane heating fuel.

These changes were implemented at the time to address concerns with the continued supply of motor and heating fuels in the region pending completion of the review. Based on information gathered from stakeholders as part of the ongoing review the Board is implementing further changes to the pricing model in Labrador in certain zones, primarily related to increased supply costs and the timing of maximum price adjustments. There are no changes with respect to Zones 13 and 13a at this time.

Lifting of Suspension of Maximum Price Adjustments in Zones 11a, 12 and 14

The suspension of maximum price adjustments implemented in the fall was recently lifted for Zones 10, 11 and 11b and for gasoline in Zone 12. Based on the delivery information provided by suppliers the spring resupply to Zones 11a, 12 and 14 will be concluded in the coming days. As a result, effective with this week's adjustment, the suspension of maximum price adjustments is lifted for all regulated fuels in Zones 11a and 14 and for diesel motor fuel and stove oil heating fuel in Zone 12.

Stove Oil Pricing Benchmark – Zones 11a and 14

In Order No. P.P. 58(2020) the benchmark used for stove oil pricing was changed from 100% ultra low sulfur diesel (ULSD) to 100% ultra low sulfur kerosene (ULSK) for all zones in Labrador except Zones 11a and 14, where price adjustments were suspended. Effective with this week's adjustment, the benchmark for stove oil pricing in Zones 11a and 14 will also be 100% ultra low sulfur kerosene (ULSK) to bring these zones in line with the other Labrador zones.

Updated Supply Costs - Propane Heating Fuel – Zones 11a and 14

In Order No. P.P. 19(2021) the Board approved an increase in the maximum price for regulated propane in most zones in the province to reflect higher costs following the transition of the North Atlantic Refinery into standby mode. At the time there were no increases implemented for Zones 11a and 14 as price adjustments were suspended in these zones. Effective with this week's adjustment, the total allowed mark-ups for propane heating fuel in Zones 11a and 14 are increased on an interim basis to better reflect the costs of supply.

Updated Supply Costs - Gasoline and Diesel Motor Fuels and Stove Oil Heating Fuel

In Order No. P.P. 58(2020) the Board approved interim increases in the zone differentials for Zones 10, 11, 11b and 12 to provide for the recovery of the costs to supply the region and ensure consumers have access to adequate supply. At the time there were no changes with respect to Zones 11a and 14 as price adjustments were suspended in these zones. Based on updated cost information provided by suppliers in the region, effective with this week's adjustment, interim zone differential increases will be implemented for Zones 11a and 14 and further interim increases will be implemented for Zones 10, 11, 11b and 12, as summarized below.

Interim Zone Differential Increases (cents per litre)						
Zone	Gasoline		Diesel		Stove Oil	
	Fall 2020	June 2021	Fall 2020	June 2021	Fall 2020	June 2021
Zone 10	8.0	3.0	8.0	2.0	8.0	2.0
Zone 11	4.0	3.0	5.0	2.0	0.0	2.0
Zone 11a	0.0	8.0	0.0	9.0	0.0	0.0
Zone 11b	4.0	3.0	5.0	2.0	0.0	2.0
Zone 12	3.0	1.0	3.0	1.0	0.0	1.0
Zone 14	0.0	8.0	0.0	9.0	0.0	0.0

Suspension of Maximum Price Adjustments – Zones 10, 11, 11a, 11b, 12 and 14

Stakeholder input received in the review showed support for the implementation of a suspension of maximum price adjustments in the spring as well as the fall for Labrador pricing zones that are primarily supplied by marine tanker. The suspension of price adjustments in the spring and fall to coincide, to the extent possible, with the timing of the delivery of products to the region, would mean that the price of fuels sold throughout the year would better reflect the costs of the product. Effective this week's adjustment, maximum price adjustments will be suspended in Zones 10, 11, 11a, 11b, 12 and 14. A decision as to when this suspension will be lifted will be based on the timing of resupply to the region.