

MEDIA RELEASE

Thursday, April 16, 2020

Weekly Adjustment of Maximum Prices of Regulated Petroleum Products

New Maximum Prices for Certain Labrador Zones

Effective 12:01 a.m. Thursday, April 16, 2020, the Public Utilities Board set maximum prices for all regulated petroleum products in all areas of the province, except where maximum price adjustments have been suspended for the winter months.

The changes to maximum fuel prices, with the exception of Zone 10 (Labrador – The Straits to Red Bay), Zone 11 (Labrador South – Lodge Bay/Cartwright), Zone 11b (Coastal Labrador South – Drum Delivery) and Zone 12 (Central Labrador), are as follows:

- all types of gasoline motor fuel will decrease by up to 2.1 cents per litre (cpl);
- diesel motor fuel on the Island will decrease by up to 3.7 cpl;
- diesel motor fuel in Labrador (Zones 13 and 13a) will increase by up to 0.7 cpl;
- furnace oil heating fuel will decrease by 3.19 cpl;
- stove oil heating fuel will decrease by 3.19 cpl; and,
- propane heating fuel will increase by 1.1 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, decreased over the period by 1.80 cpl, resulting in a decrease of up to 2.1 cpl, accounting for taxation and rounding.

Adjustment to Maximum Prices in Zones 10, 11, 11b and 12 in Labrador

Effective with this maximum price adjustment the Board has approved new maximum prices that can be charged by wholesalers in Zone 10 (Labrador – The Straits to Red Bay), Zone 11 (Labrador South – Lodge Bay/Cartwright), Zone 11b (Coastal Labrador South – Drum Delivery), and Zone 12 (Central Labrador) for gasoline, diesel fuel and stove oil. This adjustment is made pursuant to section 8 of the *Petroleum Products Act* following a request from Woodward's Oil Limited ("Woodward's") for an increase in maximum wholesale prices in Zones 11 and 12 for these fuels and a request by William Normore Limited ("Normore's") for a similar increase in Zones 10 and 11.

As a result of recent dramatic decreases in world oil prices, current maximum wholesale prices for regulated petroleum products in Zones 10, 11 and 12 are substantially below the price paid for the product. Supply in these zones is delivered in the fall and cannot be resupplied until late spring when shipping resumes to the area. While other zones in Labrador in similar circumstances are subject to a freeze of maximum prices for petroleum products during the winter, there is no such freeze in Zones 10, 11 and 12. As a result wholesalers in these zones must bear the risks associated with price fluctuations throughout the winter. These fluctuations can at times be significant but the recent decreases in the allowed maximum prices are well beyond historic levels of price variability. The result is that wholesalers are currently supplying product at substantial losses and, in the absence of a change, face the choice between selling inventories at unsustainable losses or not selling their product at all.

Woodward's and Normore's requested that the Board increase the allowed maximum wholesale price to reflect the established price at the time the product was supplied in the fall. Approval of this request would increase the maximum retail price that can be charged for gasoline by 39.1 cpl, diesel by 42.7 cpl and stove oil by 28.5 cpl in all three zones. These are extraordinary increases which would have a significant impact on consumers, especially in these challenging times. At the same time it is clear that the current maximum wholesale prices do not bear a relationship to the costs of the product and do not provide for reasonable recovery of costs. This raises serious concerns with respect to whether there will be continued supply of automotive and heating fuels to retailers and consumers in these areas.

The Board has determined that the maximum prices in Zones 10, 11, 11b, and 12 should be adjusted to offset the impact of the recent dramatic decreases in the prices of regulated petroleum products. The Board rejected the proposed increase and did not accept the wholesalers' request for prices based on the maximum prices established in the fall of 2019. The Board instead determined that an increase of 30 cpl in the allowed maximum wholesale price of gasoline and diesel and an increase of 20 cpl in the allowed maximum wholesale price of stove oil is appropriate in the circumstances. In the Board's view these increases will provide the opportunity for reasonable cost recovery for wholesalers and help ensure security of supply. Effective Thursday, April 16, 2020 the maximum retail prices for gasoline, diesel and stove oil in Zones 10, 11, 11b and 12 will reflect these increases. Until the area can be resupplied in the spring and there is a further order of the Board, these maximum prices will remain in effect and there will be no weekly adjustments of maximum prices in these Zones.

The next scheduled price change is Thursday, April 23, 2020.

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