



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, A1A 5B2

2020-12-11

To: All Stakeholders

Re: 2020 Labrador Petroleum Products Pricing Review

In the spring of 2020 the Board commenced a review of petroleum products price regulation in Labrador. This review was conducted under the authority of section 8.1 of the *Petroleum Products Act* and involved collection of information and data in relation to petroleum products pricing in Labrador. Throughout the summer and early fall the Board gathered information in relation to the supply and distribution of petroleum products in Labrador. On October 16, 2020 the Board released a [consultation paper](#), *2020 Labrador Petroleum Products Pricing Review*. This paper addressed the issues identified during the review including the zone boundaries and differentials, the seasonal suspension of price adjustments, the frequency of the Board's maximum price adjustments, and benchmark and rack pricing.

Following the release of the consultation paper the Board invited comments from stakeholders and received submissions and heard presentations in relation to a number of matters. The comments provided by some suppliers in Labrador raised issues in relation to the continued viability of product supply in the region. Based on the information available at the time the Board determined that immediate changes were required to ensure the continued supply of petroleum products to certain areas of Labrador in advance of the upcoming winter season.

On November 25, 2020 the Board issued Order No. P.P. 58(2020) approving:

- (1) interim increases in zone differentials to reflect increased supply costs;
- (2) changes to the stove oil heating fuel benchmark; and
- (3) a suspension of maximum price adjustments in pricing zones 10 (Labrador – The Straits to Red Bay), 11 (Labrador South – Lodge Bay / Cartwright), and 12 (Central Labrador) and 11b (Coastal Labrador South – Drum Delivery).

These changes addressed the pressing issues identified during the review and no further changes with respect to the pricing model in Labrador are anticipated in the short term. There were no changes for Zone 14 (Coastal Labrador North) where a suspension of maximum price adjustments was already in effect.

The review will continue over the next few months as the Board continues to gather information with respect to the issues identified in relation to maximum price regulation of petroleum products in Labrador. The Board also plans to engage an external consultant to complete a detailed study in relation to the supply, storage and distribution of petroleum products, which will provide current information as to the costs to supply the region. This information will be considered by the Board

in determining whether further adjustments are necessary to existing wholesale and total allowed mark-ups and the pricing zone boundaries and differentials. It is expected that it will be a number of months before this study is completed and the Board will advise as to the next steps in this process at that time.

Information in relation to the 2020 Labrador Petroleum Products Pricing Review is available on the Board's website at <http://www.pub.nf.ca/applications/ReviewLabradorPetroPricing/index.htm>. If you have any questions or require further clarification, please contact Mr. Travis Fisher, Regulatory Analyst, by e-mail at tfisher@pub.nl.ca or by telephone at (709) 726-0580.

Yours truly,



Cheryl Blundon
Board Secretary

CB/rr