



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

2020-05-15

To: Stakeholders (Wholesalers and Retailers)

Re: 2020 Review of Maximum Price Regulation of Petroleum Products in Labrador

During the summer of 2020 the Board plans to review petroleum products price regulation in Labrador. Our review will be conducted under the authority of section 8.1 of the *Petroleum Products Act*. We intend to gather facts about supply dynamics, zone differentials and zone boundaries. We will then review the pricing model and the price adjustment mechanisms for gasoline, diesel, furnace oil, stove oil and propane used for heating.

We invite your input as part of our planning process. As a first step we ask that you help us identify the issues that should be reviewed. Based on comments received recently the Board has identified the following issues:

1. Do the existing zone boundaries appropriately reflect the different supply and distribution networks in Labrador?
2. Are the existing zone differentials reasonable given the costs associated with the supply, storage and distribution of products within the existing zones?
3. Are there changes which should be considered to the existing benchmarks used to establish maximum prices in Labrador?
4. With respect to maximum price adjustments for all products in Labrador:
 - a. Should maximum price adjustments be suspended in those zones for the periods during which there is no resupply of product such that maximum prices would reflect the actual cost of the product being supplied for those periods? Are there specific supply concerns within a particular zone that should be considered?
 - b. What criteria should be considered in setting the implementation and lift dates of a suspension of maximum price adjustments? Should the start and end dates be the same for all zones?
 - c. If maximum price adjustments are not suspended in certain zones are there alternative approaches that may be considered when there are large changes in price, either up or down?
5. Should the frequency of maximum price adjustments be changed, i.e. from weekly to monthly, in certain zones?

We welcome your comments on this list and ask you to identify any other issues you feel we should include. Other stakeholders have also been contacted and asked to provide input as to the issues and concerns which they feel should be addressed.

The Board will also be seeking your input directly as it gathers information related to supply dynamics, zone differentials and zone boundaries in Labrador. We will be gathering up to date information related to the supply of gasoline, diesel, furnace oil, stove oil and propane used for heating in each of the zones. The Board believes that it is very important for wholesalers and retailers to actively participate in this information gathering stage so that the unique circumstances and perspectives found throughout the region can be accurately portrayed and considered in this review. In the next week or so you can expect to receive an inquiry from us setting out the specific information which is requested from you.

The information and perspectives gathered by the Board will be set out in a consultation document. In this document the Board will identify the issues being reviewed and the alternatives to be considered. The consultation document will explain the supply chain for regulated petroleum products in Labrador and will include some costing and pricing information. Confidential information that a stakeholder has shared with the Board will not be disclosed.

The consultation document will be made available to stakeholders and the Board plans to invite the input of interested persons beginning in mid-July. Due to COVID-19 precautions the Board expects that it will not be possible to conduct in-person consultations. Instead the Board plans to accept written submissions and, upon request, presentations can be made by telephone or video conference.

After the Board completes its consultations the information and comments provided during the review will be considered to determine whether there should be changes with respect to the existing pricing model or adjustment mechanism for Labrador. Assuming there are no disruptions to the planned schedule due to COVID-19 precautions the Board expects that this review will be concluded by mid-September 2020 so that changes could be put in place prior to the next winter season.

We ask that you submit your comments on the issues by Friday, May 29, 2020 so that the Board can consider your views when deciding the issues to be addressed. Once the consultation document is completed we will contact you to explain how you can participate further in the review.

If you have any questions please contact Cheryl Blundon, Director of Corporate Services and Board Secretary, by email cblundon@pub.nl.ca .

Sincerely,



Cheryl Blundon

Director of Corporate Services
and Board Secretary

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