

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

**AN ORDER OF THE BOARD**

**NO. P.P. 58(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** the Board's 2020 Labrador  
6 Petroleum Products Pricing Review; and  
7

8 **IN THE MATTER OF** interim changes with respect  
9 to zone differentials, the stove oil benchmark, and the  
10 suspension of price adjustments for the winter period.  
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12

13 **WHEREAS** on October 28, 2020 the Board received notice from Harnois Energies Inc.  
14 ("Harnois"), the owner of the marine terminal in L'Anse au Loup, which stated that it faces  
15 substantial losses and that because the situation is no longer sustainable it would stop the supply  
16 of fuels to the terminal effective November 28, 2020; and  
17

18 **WHEREAS** on October 30, 2020 William Normore Limited ("Normore") advised it had  
19 received notice from Harnois that, effective November 28, 2020, the marine terminal at L'Anse  
20 au Loup would be closing if there are not major changes in the pricing mechanism; and  
21

22 **WHEREAS** Normore stated that this matter is urgent and the decision to close the terminal  
23 presents major consequences for Normore and the region as it is currently the only secure source  
24 of supply for Zone 10 and further that the closure of the terminal would directly impact twelve  
25 businesses from L'Anse au Clair to Cartwright which in turn would result in multiple job losses  
26 and a major reduction in services for the area; and  
27

28 **WHEREAS** Normore requested that the Board evaluate the accuracy of the freight and terminal  
29 costs used to determine the zone differentials for Zone 10 and submitted that it is reasonable to  
30 consider the impact of the changes in marine freight on all areas being supplied in a similar  
31 manner; and  
32

33 **WHEREAS** on November 2, 2020 the Board received a submission from Woodward's Oil  
34 Limited ("Woodward's") which referenced the recent interim wholesale mark-up increases for  
35 the Island approved in Order No. P.P. 52(2020) of 5.0 cents per litre for gasoline and 4.0 cents  
36 per litre for diesel, furnace oil, and stove oil, and submitted that the wholesale price in Labrador  
37 should be immediately adjusted to be the same as the Island and in addition there should be an  
38 increase in the zone differentials of approximately 2 cents per litre; and

1 **WHEREAS** Woodward's stated that the proposed increases are critical for the protection of  
2 supply for Labrador communities; and

3  
4 **WHEREAS** based on the information provided during the 2020 Labrador Petroleum Products  
5 Pricing Review the total laid-in costs associated with the supply of some products in Zones 10,  
6 11 and 12 have increased since these costs were last reviewed; and

7  
8 **WHEREAS** the confidential information provided by suppliers and wholesalers demonstrates  
9 that the zone differentials reflected in the allowed wholesale mark-ups are inadequate to recover  
10 the cost of supply for some products in Zones 10, 11, 11b and 12; and

11  
12 **WHEREAS** as a result of the demonstrated inadequacy of the zone differentials there are issues  
13 in relation to the viability of suppliers, wholesalers and retailers in Labrador and whether  
14 sufficient supply of fuels will be available for consumers; and

15  
16 **WHEREAS** based on the information provided the Board is satisfied that the zone differentials  
17 in Zones 10, 11, 11b and 12 should be increased on an interim basis to reflect the costs of supply,  
18 pending further review by the Board; and

19  
20 **WHEREAS** the Board is satisfied that there should be no changes at this time to the zone  
21 differentials in Zones 13, 13a and 14 as the Board is waiting on further information related to  
22 Zone 13 and maximum price adjustments have been suspended for the winter in Zone 14; and

23  
24 **WHEREAS** based on the information provided the Board is also satisfied that the issues raised  
25 in the 2020 Labrador Petroleum Products Pricing Review related to the stove oil benchmark and  
26 the suspension of maximum price adjustments in marine tanker supplied zones should be  
27 addressed at this time; and

28  
29 **WHEREAS** based on historical practice the current benchmark used in maximum prices for  
30 stove oil heating fuel is 100% ultra low sulfur diesel which does not reflect the actual product  
31 sold as stove oil heating fuel in Labrador; and

32  
33 **WHEREAS** the product now supplied as stove oil heating fuel is 100% ultra low sulfur kerosene  
34 for all zones in Labrador except Zones 13 and 13a where the product is a blend of products,  
35 primary low sulfur kerosene; and

36  
37 **WHEREAS** the Board is satisfied that the benchmark used for stove oil heating fuel should be  
38 changed to 100% ultra low sulfur kerosene to reflect the product which is sold, for all zones in  
39 Labrador, except Zones 11a and 14 which currently have a suspension of maximum price  
40 adjustments; and

41  
42 **WHEREAS** based on the information provided the Board is also satisfied that it is appropriate at  
43 this time to address the suspension of maximum price adjustments in Zones 10, 11, 11b, and 12  
44 for the upcoming winter; and

45  
46 **WHEREAS** the regular weekly adjustment of maximum prices is suspended in the winter in  
47 Zones 11a and 14 to reflect the interruption of marine tanker supply due to ice conditions so that

1 the price of the product sold throughout the winter reflects the cost of the fuel which was  
2 supplied in the fall; and

3  
4 **WHEREAS** there is currently no suspension of maximum price adjustments in Zones 10, 11,  
5 11b and 12, despite the fact that these zones are also primarily served by marine tanker and the  
6 winter supply of product is normally made in the fall similar to Zone 14; and

7  
8 **WHEREAS** during the 2020 Labrador Petroleum Products Pricing Review most participants  
9 agreed that fuel prices should reflect the cost of the product and, as a result, suggested that  
10 maximum price adjustments for marine tanker-supplied zones should be suspended for the  
11 winter; and

12  
13 **WHEREAS** based on the information provided the Board is satisfied that the seasonal  
14 suspension of maximum price adjustments should be implemented for the 2020-2021 winter  
15 season in Zones 10, 11, 11b and 12, for all fuels except propane heating fuel; and

16  
17 **WHEREAS** based on the available information the majority of the winter supply for Zones 10,  
18 11, 11b and 12 has been or will be completed in the coming days and, as such, the Board is  
19 satisfied that the suspension of maximum price adjustments for these zones should be  
20 implemented effective 12:01 a.m. November 26, 2020.

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22  
23 **IT IS THEREFORE ORDERED THAT:**

- 24  
25 1. Maximum wholesale prices will be adjusted on an interim basis, effective 12:01 a.m.  
26 November 26, 2020, with corresponding changes in maximum prices, to reflect the following  
27 interim increases in the differentials:

<b>Zone Differential Increases</b>			
<b>(cpl)</b>			
<b>Zone</b>	<b>Gasoline</b>	<b>Diesel</b>	<b>Stove Oil</b>
Zone 10	8.0	8.0	8.0
Zones 11 and 11b	4.0	5.0	0.0
Zone 12	3.0	3.0	0.0

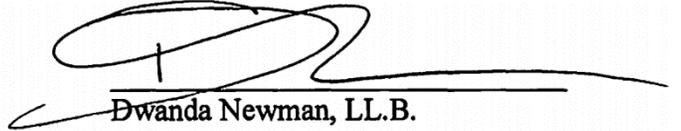
- 28 2. The benchmark used in maximum prices for stove oil heating fuel shall be 100% Platts New  
29 York Barge ULSKero in all zones in Labrador, except Zones 11a and 14, effective 12:01  
30 a.m. November 26, 2020.  
31  
32 3. Maximum price adjustments in Zones 10, 11, 11b and 12 shall be suspended for all fuels  
33 except propane heating fuel, effective 12:01 a.m. November 26, 2020, until further order of  
34 the Board.

**DATED** at St. John's, Newfoundland and Labrador, this 25<sup>th</sup> day of November, 2020.



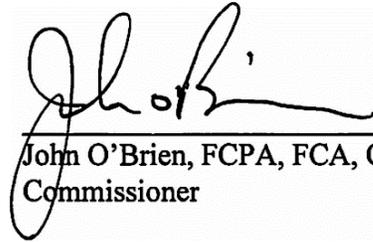
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Darlene Whalen, P. Eng., FEC  
Chair and Chief Executive Officer



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Dwanda Newman, LL.B.  
Vice-Chair



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John O'Brien, FCPA, FCA, CISA  
Commissioner



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Christopher Pike, LL.B., FCIP  
Commissioner



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Cheryl Blundon  
Board Secretary