BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
NEWFOUNDLAND AND LABRADOR

2020 Labrador Petroleum Products Pricing Review
Consultation Paper

October 16, 2020

This consultation paper is being released for stakeholder comment and feedback to assist in the Board's review of the regulation of the maximum price of petroleum products in Labrador. Based on the input received the Board may make changes with respect to the regulation of maximum prices in Labrador. It is expected that this review will conclude this fall and the Board will be in a position to issue notice of any changes by year end.

Interested persons may provide input by filing written comments or submissions or by requesting an opportunity to make a presentation to the Board by video or teleconference as set out below.

1. **Submit a request to make a presentation by Friday, October 30, 2020.**

   If you would like the opportunity to make a presentation to the Board you should submit your request with your contact information, including your full name, address, phone number and/or email to the Board Secretary, Cheryl Blundon, by email cblundon@pub.nl.ca or by telephone (709)726-8600 or toll free 1-866-782-0006. You will be asked to provide a written copy of your presentation.

2. **Submit your comments/submissions in writing by Friday, November 6, 2020.**

   If you would like to file comments or submissions you may do so in one of the ways set out below. You should provide your full contact information, including your full name, address, phone number and/or email.

   Email your comments to: PPReview@pub.nl.ca
   Complete a feedback form: PPReview Feedback Form
   Mail: Public Utilities Board
   P.O. Box 21040
   St. John's, NL A1A 5B2
   Fax: (709)726-9604

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1.0 INTRODUCTION

The Board of Commissioners of Public Utilities (the "Board") is undertaking a review of the pricing model for regulated petroleum products in Labrador. This review will include an examination of the zone boundaries and zone differentials, the seasonal suspension of maximum price adjustments and the frequency of the Board's regular adjustment of maximum prices.

1.1 Background

In the spring of 2020, as a result of the global pandemic and the crash in the world price of oil, the maximum price of petroleum products in the Province fell dramatically over the course of several weeks. By mid-March the benchmark used in the calculation of maximum gasoline prices had dropped by over 25 cents per litre ("cpl") from where it was at the end of February 2020. This decrease reflected the regular weekly adjustments of maximum prices as well as an extraordinary adjustment on March 14, 2020.[1] The other Atlantic provinces also implemented special adjustments in the same timeframe.

The dramatic drop in maximum prices caused serious issues for wholesalers, retailers and suppliers of petroleum products throughout the Province, including those located in Labrador. Retailers in Cartwright issued public notices and wrote the Board to advise of the impacts of the drop in prices and that in the circumstances they felt that they would have to close their pumps. One retailer suggested there should be a larger margin between the wholesale and retail price and a longer timeframe between price adjustments as well as a compensation program for losses incurred by retailers as a result of price adjustments during the year.

Woodward's Oil Limited ("Woodward's"), one of the few wholesalers of petroleum products in Labrador, wrote the Board in support of the retailers and advised that it was also incurring massive losses as a result of the regulated price being far below the actual cost of inventories. Woodward's stated:

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[1] The maximum price of gasoline motor fuel decreased by 6.6 cpl on March 5, 2020 as a result of Order No. P.P. 8(2020), and by 5.5 cpl on March 12, 2020 as a result of Order No. P.P. 9(2020). In Order No. P.P. 10(2020) maximum prices were decreased by 14.4 cpl for gasoline motor fuel, 5.9 cpl for diesel motor fuel, 6.65 cpl for furnace oil heating fuel, and 5.33 cpl for stove oil heating fuel.

> The recent price drops caused by external forces have now resulted in a situation for our customers and us where we all are now losing many thousands of dollars because the supply in our areas do not allow for world price purchases as no feasible supply is available. That means that in the case of our smaller customers they are being forced to a very difficult decision; either close the pumps and wait for a price rise or face potential insolvency on unsustainable losses.[2]

The world price of oil continued to drop over the course of the spring of 2020 and by the end of March wholesalers in Labrador also asked the Board for relief. On March 30, 2020 Woodward's filed an application for an adjustment to the regulated wholesale and retail prices for gasoline and diesel motor fuels and stove oil heating fuel in Zones 11 and 12.[3] Woodward's noted that, as a result of the crash of the world price of oil, the maximum prices for petroleum products in Zones 11 and 12 had no relationship to Woodward's acquisition costs. Woodward's asked that new prices be set and that these prices remain in effect until resupply in the spring. On March 31, 2020 another supplier of petroleum products in Labrador, Harnois Energies Inc. ("Harnois"), also filed a request with the Board for a price adjustment for heating fuel, diesel and regular unleaded gasoline in Zones 10 and 11.[4] On April 2, 2020 William Normore Limited ("Normore's"), a wholesaler in Zones 10 and 11, wrote the Board to advise that it was in a similar position and that the margin on the sale of regulated products does not offset the average cost to operate.

On March 17, 2020 the Board approved temporary increases in maximum prices for two retailers in Cartwright for sales of gasoline in Zone 11.[5] On April 15, 2020 an increase in the maximum wholesale prices of gasoline and diesel motor fuels and stove oil heating fuel for Zones 10, 11, 11b, and 12 was approved. These increased maximum prices remained in place until May 2020 when the zones were resupplied.[6]

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[2] Woodward's letter, March 13, 2020.
[3] On March 25, 2020 Woodward's asked the Board to freeze wholesale and retail prices in Zones 10, 11, and 12. The Board advised in its correspondence on March 26, 2020 that Woodward's may file an application for a price adjustment pursuant to section 8 of the *Petroleum Products Act*.
[4] Harnois supplies wholesalers operating in Zones 10 and 11 but the Board concluded in Order No. P.P. 17(2020) that it was not a wholesaler for purposes of section 8 of the *Petroleum Products Act*.
[5] The maximum prices were established for Gateway Ventures Limited and M&K Cartwright Ltd. in Order No. P.P. 11(2020) and Order No. P.P. 14(2020) and were discontinued by Order No. P.P. 18(2020).
[6] Order No. P.P. 17(2020) and Order No. P.P. 24(2020).

Following the adjustments to the maximum wholesale and retail prices in the spring of 2020 the Board received several comments from Labrador community members and representatives expressing concerns about the price increases. A request for a lower maximum price for Zone 14 was made on the basis that, while maximum prices had dropped significantly elsewhere, the residents of this area continued to pay the high prices set in the fall. The federal representative for Labrador asked that the Board find a different way forward and commented that the pricing regime should be fair to everyone and not cause hardship to retailers one week, suppliers the next week and consumers the week after. Other comments questioned whether supplies need to be stockpiled during the winter and raised the possibility of a subsidy to retailers rather than price increases.

Based on the significant input received as a result of the unprecedented circumstances in the spring of 2020 the Board determined that a review of the regulation of petroleum products prices in Labrador was appropriate.

1.2 Review Process

In mid-May 2020 the Board asked stakeholders to provide feedback and information related to the issues and the options which should be considered as part of this review. The Board also contacted suppliers in early June seeking information relating to their experience and issues with supplying petroleum products in Labrador. Throughout the summer the Board continued to receive detailed and comprehensive information from suppliers relating to the methods of supply and associated costs.[7]

This consultation paper was prepared to provide background and information related to the regulation of the maximum price of regulated petroleum products in Labrador. The paper sets out the issues that have been identified to be addressed, the viewpoints and information received and the alternatives which may be considered by the Board. Following the release of this consultation paper stakeholders may provide additional information and commentary in relation to the issues and options identified. After receipt of this feedback the Board will consider the information and views provided and will determine whether there should be changes with

[7] It was initially contemplated that the information gathering phase would be completed at the end of June.

respect to the Board's regulation of the pricing of petroleum products in Labrador. The Board expects that notice of any changes arising from the review will be made by year end.

2.0 FUEL PRICE REGULATION IN THE PROVINCE

Regulation of the maximum price of petroleum products in Newfoundland and Labrador began in the fall of 2001 with the enactment of the *Petroleum Products Act* (the "*Act*") and the *Petroleum Products Regulations* (the "*Regulations*"). At the time the stated objective of the legislation was to establish a process that would foster pricing stability, predictability and transparency for petroleum products pricing in the Province. Initially maximum prices were regulated by the Petroleum Products Pricing Commission ("PPPC") but in 2004 this responsibility was transferred to the Board.

2.1 Board Authority

The Board is responsible for setting the maximum wholesale and retail prices for motor fuels and heating fuels in the Province in accordance with the *Act*. Regulated fuels include gasoline and diesel motor fuels, furnace oil and stove oil heating fuels, and propane used primarily for heating purposes. Motor fuels used for aviation and marine purposes are exempt from the *Act*.[8]

Aside from setting maximum prices the Board has no additional authority with respect to the regulation of petroleum products in the Province. The Board does not set minimum prices and wholesalers and retailers are permitted to sell regulated fuels at less than the maximum regulated price.[9] In addition the Board cannot compel a wholesaler or retailer to sell a product.

2.2 How Maximum Prices are Set

Maximum prices reflect the price components set out in the legislation, including a benchmark price and allowed mark-ups, a zone differential, as well as applicable taxation and service costs. Regular adjustments to maximum prices are made by the Board on a weekly basis to reflect the

[8] Sales of motor fuels used for marine purposes are not exempt if they are made by a retailer who sells that type of motor fuel for other purposes.
[9] The Board can set minimum mark-ups but not minimum prices.

changes in the benchmark price over the previous week. The following sections provide an overview of the main aspects of the Board's pricing model.

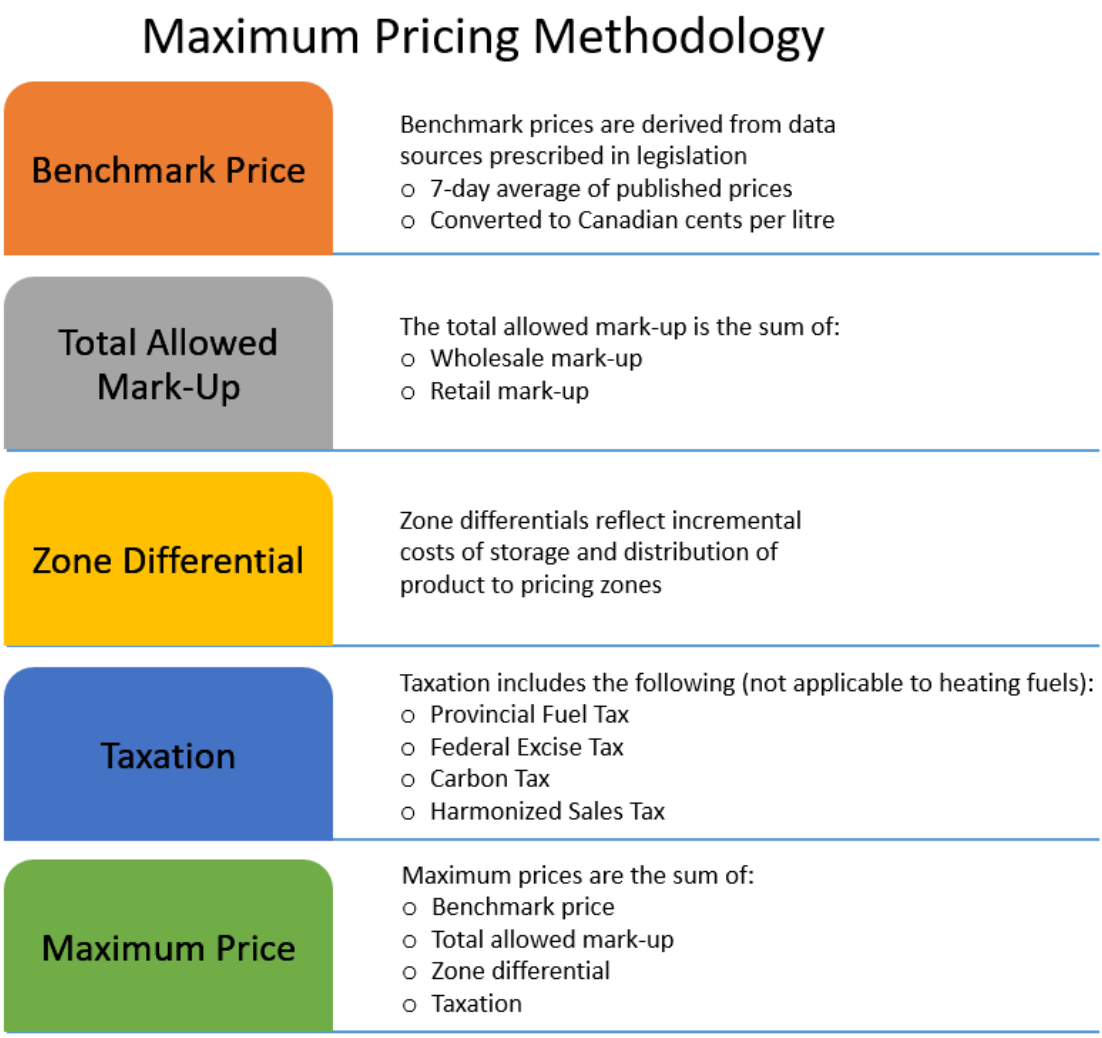
2.2.1 Pricing Zones

Pricing zones have been established to reflect the differences in the costs of providing regulated fuels to consumers in the different areas of the Province. The legislation provides that the Board may divide the Province into zones and establish different maximum wholesale and retail prices for each zone.[10] The legislation sets out that, for the purpose of dividing the Province into zones, the Board shall consider the prices that have been charged in the past and those factors and costs that may explain the differences in these prices. These factors include transportation costs, volume of sales, storage costs, distribution costs, and inventory turnover rates.[11] The zones were initially established by the PPPC in 2001 and were the subject of amendments by the Board in 2006 and 2015. The Province has been divided into 14 primary pricing zones and 12 sub-zones for motor fuels and 14 primary zones and 15 sub-zones for heating fuels to reflect the historic cost differences and other factors associated with the supply, storage, distribution and sale of regulated fuels. For each type of regulated product one of the established pricing zones is designated as the base zone in the Province.[12] The zone maps for motor fuels and heating fuels are set out in Exhibit A.

2.2.2 Price Components

The *Regulations* set out the components that are to be included in the maximum price for each type of heating fuel and motor fuel.[13] The pricing components are shown below and discussed in more detail in the following sections.

[10] Section 4 of the *Act.*
[11] Section 5 of the *Regulations.*
[12] The base zone for gasoline and diesel motor fuels is Zone 1. The base zone for furnace oil and stove oil heating fuels is Zone 1ANE. The base zone for propane heating fuel is Zone 2.
[13] Section 7 of the *Regulations*.



i) Benchmark Prices

The benchmark price is intended to represent the cost of the product and is determined based on the reported market price source designated in the *Regulations*. The *Act* sets out that the benchmark price is to be the average of the daily market prices as reported by the designated source. The actual price charged to the wholesaler by the supplier of the product, commonly referred to as the "rack" price, is not used in determining the benchmark price.[14] Typically the benchmark prices are set by the Board each Thursday based on the published data over the

[14] The "rack" price charged to a wholesaler is not regulated by the Board as section 2(2) of the *Act* provides that transactions which are not wholesaler to retailer transactions are not regulated.

previous 7-day period from Wednesday to Tuesday.[15] The benchmark used to establish maximum prices may vary during the year since the product which is supplied to a zone may change seasonally. The data sources used to determine the benchmark prices in the Province are set out in Exhibit B.

ii) Allowed Mark-Ups

Allowed mark-ups are fixed pricing components set by the Board that are added to the benchmark price to account for the costs incurred by wholesalers and retailers to get the product from its source to consumers in the base zone. The *Act* provides that the Board is to establish an allowed wholesale mark-up and a total allowed mark-up. The difference between these two mark-ups is the retail mark-up. The mark-ups take into consideration costs such as terminal operating costs, freight costs, capital and delivery costs. The mark-ups vary depending on the type of regulated fuel and, in some cases, the zone in which the product is sold.[16] The *Regulations* set out the factors considered in setting the mark-ups, including the historical margins charged and whether they were reasonable considering transportation costs, sales volumes, storage costs, distribution costs and inventory turnover rates. The mark-ups for motor fuels and heating fuels were recently increased following a review by the Board.[17] The current mark-ups established by the Board for each pricing zone are set out in Exhibit C.

iii) Zone Differentials

A zone differential may be added to the benchmark price and the mark-ups to reflect the additional transportation, storage and distribution costs associated with supplying product in a zone. The cost to supply product can vary substantially from one area to another as a result of factors such as fuel consumption levels, the remoteness of the community from supply, shipping conditions, and required infrastructure. The amount by which the costs to supply product to a

[15] The benchmark price is calculated using the daily high and low prices (in US cents/Gallon) from the prescribed data source for the seven previous days. For weekends and holidays the last trading day's value is used as a proxy. The daily average price is then converted to Canadian cents per litre using the Bank of Canada daily exchange rate and the US gallon to litre conversion factor.

[16] For some isolated zones there is an additional amount added to the retail mark-up to reflect the cost of supply.

[17] Order No. P.P. 46(2020) increased the total allowed mark-up on gasoline and diesel motor fuel by 2.46 cpl. Order No. P.P. 41(2019) increased the total allowed mark-up for furnace oil heating fuel by 1.71 cpl, for stove oil heating fuel by 1.90 cpl and for propane heating fuel by 3.49 cpl.

pricing zone differs from similar supply costs determined for the base zone forms the zone differential. Without this zone differential the wholesale and retail prices may not reflect all of the costs of supplying an area. The zone differentials were established in 2001 and were updated in 2006 following the completion of a comprehensive storage and distribution study. The current zone differentials in the Province are set out in Exhibit D.

iv) Allowed Service Costs

A retailer can apply for approval to include an allowed service cost in the maximum price to reflect the cost of a particular service offered by the retailer that is not otherwise reflected in the price. There are currently no service costs reflected in any maximum prices in the Province.

v) Applicable Taxation

The taxes included in maximum prices of motor fuels are the Provincial Fuel Tax, Federal Excise Tax, Carbon Tax and Harmonized Sales Tax ("HST").[18] Taxes are not included in maximum prices for heating fuels; however, HST may be applied at point of sale by the retailer.

2.2.3 Adjustments to Maximum Prices

i) Regular Weekly Adjustments

The Board is required to adjust maximum prices regularly.[19] When regulation began in 2001 maximum prices were adjusted monthly. To address volatility a special adjustment mechanism was implemented. In 2006 the Board moved from monthly adjustments to bi-weekly adjustments and continued the special adjustment mechanism. In 2010 the Board began adjusting prices weekly, consistent with the other Atlantic provinces.[20] Currently maximum prices for all regulated

[18] For gasoline motor fuel the Federal Excise Tax is 10.0 cpl, the Provincial Fuel Tax is 16.5 cpl, the Carbon Tax is 4.42 cpl, and the HST is 15%. For diesel motor fuel the Federal Excise Tax is 4.0 cpl, the Provincial Fuel Tax is 16.5 cpl, the Carbon Tax is 5.37 cpl, and the HST is 15%. Based on recent government announcements the Provincial Fuel Tax and the Carbon Tax are subject to change as set out in Department of Finance Bulletin No. RAA-Carbon-002, though these changes have not yet been enacted into legislation.

[19] Section 14 of the *Regulations* provides that the Board adjust the benchmark price on a monthly basis or where circumstances warrant at other times.

[20] Maximum prices are typically effective at 12:01 a.m. on Thursdays though the effective date may be different depending on holidays.

fuels in all areas of the Province are adjusted weekly based on the changes in the benchmark price since the previous week's adjustment.

ii) Periodic Adjustments

The wholesale mark-ups, the total allowed mark-ups and zone differentials do not change with the weekly maximum price adjustments. However, the Board may review and adjust mark-ups from time to time taking into account the factors set out in the legislation or a wholesaler or retailer may apply for a change in maximum prices. The mark-ups and differentials have been reviewed and adjusted several times since the Board assumed responsibility for maximum price regulation.[21]

iii) Winter Product Blend Adjustments

Maximum prices may be adjusted seasonally to reflect the changes in costs associated with changes in the product supplied to an area. For example, furnace oil heating fuel and diesel motor fuel on the Island may be blended to improve fuel performance and pourability in cold temperatures. For these products blending adjustments for benchmark pricing are made at the same time each year with the first regular price adjustment in October and April.[22]

iv) Winter Suspension of Adjustments

The regular weekly adjustment of maximum prices is suspended in the winter in Sub-zone 11a and Zone 14 in Labrador to reflect the interruption in marine tanker supply due to ice conditions. The suspension of price adjustments is implemented on the first regular price adjustment in November and is lifted upon confirmation of resupply in the spring. There is currently no suspension of maximum price adjustments in the other areas of Labrador or on the Island.

[21] The zone differentials were changed in 2006, a review in 2012-2013 resulted in no changes, and a change to the differential for gasoline motor fuel in Sub-zone 7a was made in 2015. The mark-ups were reviewed and changed in 2010, 2013, 2015, 2019 and 2020.

[22] The blending methodology is set out in Exhibit B.

2.3 Past Reviews and Changes to the Regulation of Petroleum Products

Since 2004 the Board has undertaken several reviews and there have been a number of changes with respect to the Board's regulation of the maximum price of petroleum products:

- In 2006 the Board completed a comprehensive review of the existing pricing model resulting in a number of changes, including adjustments to the zones and zone differentials to reflect updated storage and distribution costs as well as moving from monthly to bi-weekly price adjustments.[23] See Exhibit E for details in relation to this review.

- In 2009 the Board reviewed the policy of suspending pricing adjustments for the winter months in certain pricing zones in Labrador and as a result the winter suspension of maximum price adjustments was discontinued for Zone 11.[24]

- In 2010 changes to the pricing model included moving to a weekly maximum price adjustment schedule and implementation of a winter blend for diesel motor fuel.[25]

- In 2012-2013 a two-part review of the mark-ups was completed with changes approved in 2013 in the retail mark-ups for heating fuels and in 2015 in the wholesale mark-ups for heating fuels and the total allowed mark-ups for motor fuels. The zone differentials were also reviewed but no changes were made on the basis that there was insufficient storage, distribution and cost information.[26]

- In 2015 legislative changes were required as a result of the discontinuation of certain of the designated product price assessments.[27]

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[23] Documentation in relation to the 2005-2006 review can be found at the following link: 2005-2006 Pricing Model Review.
[24] Documentation in relation to the 2009 review of the Labrador Price Freeze can be found on the Board's website at the following link: Review of Labrador Price Freeze.
[25] January 28, 2010 Board press release.
[26] Reports associated with this review can be found on the Board's website at the following links: Part A and Part B.
[27] As a result of the elimination of a number of cargo assessments, barge assessments were designated to be used for diesel motor fuel and furnace oil and stove oil heating fuels.

- In 2015 other changes to the pricing model included a revision to the product blend used in the determination of the Labrador diesel motor fuel benchmark price, a minor change to the boundary of Zones 1 and 2, and an update to the zone differential for Sub-zone 7a.[28]

- In 2016 the Board established maximum prices for propane in Labrador pricing zones and some isolated zones on the Island where propane was not previously priced.[29]

- In 2019 the Board reviewed the retail portion of the total allowed mark-ups for heating fuels resulting in adjustments to these mark-ups.[30]

- In 2019, following the discontinuation of the Bloomberg Oil Buyer's Guide, the *Regulations* were amended to allow for the use of the Oil Price Information Service for the benchmark price for propane heating fuel.

- In 2020, following a review by the Board, the total allowed and wholesale mark-ups for motor fuels were increased.[31]

3.0 FUEL PRICING IN LABRADOR

The following sections describe how the Board regulates maximum fuel prices in Labrador.

3.1 Pricing Zones

Labrador is divided into five primary pricing zones and three sub-zones to reflect the various methods of supply, storage and delivery of regulated petroleum products and associated costs. A description of each of the pricing zones in Labrador is set out in Exhibit F. A map of the zones in Labrador is set out below.

[28] March 12, 2015 Board Press Release and Order No. P.P. 11(2015).
[29] March 17, 2016 Board Press Release and Order No. P.P. 11(2016).
[30] Order No. P.P. 41(2019).
[31] Order No. P.P. 46(2020).


Labrador Pricing Zones
Motor and Heating Fuels
10 - Labrador - The Straits to Red Bay
11 - Labrador South - Lodge Bay / Cartwright
11a - Coastal Labrador South - Tanker Supplied
11b - Coastal Labrador South – Drum Delivery
12 - Central Labrador
13 - Western Labrador
13a - Churchill Falls
14 - Coastal Labrador North
UNGAVA BAY
BAIE D'UNGAVA
NORTH AULATSIVIK ISLAND
TORNGAT MOUNTAINS NATIONAL PARK RESERVE OF CANADA
RÉSERVE DE PARC NATIONAL DU CANADA DES MONTS TORNGAT
QUEBEC
QUÉBEC
SOUTH AULATSIVIK ISLAND
NAIN
NATUASHISH 2
HOPEDALE
MAKKOVIK
POSTVILLE
LABRADOR
RIGOLET
CARTWRIGHT
BLACK TICKLE
NORMANS BAY
CHARLOTTETOWN
PINSENTS ARM
SAINT LEWIS
LODGE BAY
PORT HOPE SIMPSON
MARY'S HARBOUR
L'ANSE AU LOUP
BELLE ISLE
RED BAY
FORTEAU
L'ANSE-AU-CLAIR
LONG RANGE MOUNTAINS
NORTH WEST RIVER
HAPPY VALLEY-GOOSE BAY
LABRADOR CITY
WABUSH
CHURCHILL FALLS
500
510
513
14
13A
13
12
11A&B
11
10
0
75
150 km

3.2 Supply and Storage of Petroleum Products

Most areas of Labrador are supplied primarily by marine tanker. Marine tankers deliver to marine storage terminals generally on a seasonal basis. Where there is no marine storage, there may be a bulk storage facility supplied by tanker truck. The only region in Labrador not supplied by marine tankers is Western Labrador which is primarily supplied by train from Quebec.[32] The products supplied and stored at each storage facility in Labrador may vary from those supplied in other areas in Labrador and on the Island. For example, furnace oil heating fuel is not supplied in Labrador and the primary heating fuel is stove oil. For all areas except Western Labrador, stove oil heating fuel and diesel motor fuel are the same product: ultra low sulfur kerosene ("ULSK"). A summary of the information provided in relation to supply locations, types of storage facilities and product stored within each Labrador pricing zone is set out below:

[32] Premium-grade gasoline is trucked to Zone 13 from Quebec and other products may be trucked into the zone when there are supply issues.

Supply and Storage in Labrador			
Zone	**Source Supply Location(s)**	**Type of Facility**	**Type of Product(s) Stored**
10	L'Anse-au-Loup	Marine Terminal	• Regular Gasoline (UNL 87)[33] • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
11	Charlottetown[34]	Bulk Storage Facility	• Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	Port Hope Simpson	Marine Terminal	• Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	St. Lewis	Marine Terminal	• Regular Gasoline (UNL 87)
	Cartwright	Marine Terminal	• Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	Goose Bay	Marine Terminal	• Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
11a & 11b	No Storage[35]	n/a	n/a
12	Goose Bay	Marine Terminal	• Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
13 & 13a	Labrador City	Bulk Storage Facility	• Regular Gasoline (UNL 87) • Premium Gasoline (UNL 93) • Diesel Motor Fuel[36] • Stove Oil Heating Fuel[37]
14	Rigolet	Marine Terminal	• Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	Makkovik	Marine Terminal	
	Postville	Marine Terminal	
	Hopedale	Marine Terminal	
	Nain	Marine Terminal	

Based on the available information the typical supply, storage and distribution of fuels within each of the zones in Labrador is as set out below. The method of supply may sometimes change if circumstances warrant. For example a wholesaler may occasionally source a product from a

[33] Unleaded ("UNL")
[34] Product stored in the Charlottetown bulk storage facility is sourced from the marine terminal facility in L'Anse-au-Loup.
[35] Product delivered by marine tanker to a Hydro storage facility is unregulated.
[36] The product offered for sale from the Labrador City bulk storage facility as diesel motor fuel on a year-round basis appears to be 85% low sulfur kerosene and 15% low sulfur diesel. There is also another blend of products which is offered only May to September.
[37] Stove oil heating fuel is the same product as diesel motor fuel.

different zone or storage facility than usual if it is necessary and/or more economically feasible to do so.

3.2.1 Zone 10: Labrador – The Straits to Red Bay

Zone 10 includes communities along Highway 510 from the Quebec-Labrador border west of L'Anse-au-Clair to Red Bay, including L'Anse-au-Clair, Forteau, L'Anse-au-Loup, Pinware and Red Bay. Based on the information available the supply chain to this zone has not changed significantly in recent years.[38] The typical method of supply within Zone 10 is set out below.

Zone 10 Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**

L'Anse-au-Loup Marine Terminal	• Regular Gasoline
	• Diesel Motor Fuel
	• Stove Oil Heating Fuel
		• Normore's
		• Parkland Fuel Corporation ("Parkland")
			• Motor Fuels
			  ○ L'Anse-au-Clair
			  ○ Forteau
			  ○ L'Anse-au-Loup
			  ○ Pinware
			  ○ Red Bay
			• Heating Fuel customers
			• Unregulated sales

Marine tanker deliveries to the marine terminal in L'Anse-au-Loup begin each year when ice conditions permit the resupply of product, which can be anytime between early June to late July. In recent years these deliveries have been made primarily by Woodward's via marine tanker. Final deliveries of product to the marine terminal prior to the winter season typically occur in early to mid-December. Occasionally, at the end of the winter season, the inventory at the L'Anse-au-Loup marine terminal may be depleted and product may be sourced from the marine terminal in Blanc Sablon, Quebec, typically at higher cost. The frequency of delivery of product by wholesalers to individual retail locations varies depending on demand but generally occurs weekly. Parkland is a small wholesaler which contracts another wholesaler to deliver its product to its own-branded retail outlet.

[38] Since the 2005-2006 storage and distribution study the marine terminal in L'Anse-au-Clair has been closed and ownership of the L'Anse-au-Loup marine terminal has changed from Ultramar to Harnois.

3.2.2 Zone 11: Labrador South – Lodge Bay/Cartwright

Zone 11 encompasses all points on the south Labrador coast connected to Highways 510, 513, 514 and 516 from Lodge Bay to Cartwright, including Lodge Bay, Mary's Harbour, St. Lewis, Port Hope Simpson, Charlottetown and Cartwright. Based on the information available, although there have been some improvements in road transportation in the region, the method of supply to Zone 11 has not changed in recent years.[39] The typical method of supply within Zone 11 is set out below.

Zone 11 Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**

Charlottetown Bulk Storage Facility[40]	• Regular Gasoline
	• Diesel Motor Fuel
	• Stove Oil Heating Fuel
		• Normore's	• Motor Fuel
			  ○ Lodge Bay
			  ○ Mary's Harbour
			  ○ Port Hope Simpson
			  ○ Charlottetown
			  ○ Cartwright
			• Heating Fuel customers
			• Unregulated sales

Port Hope Simpson Marine Terminal	• Diesel Motor Fuel
	• Stove Oil Heating Fuel
		• Woodward's	• Motor Fuel
			  ○ Port Hope Simpson
			  ○ St. Lewis
			• Heating Fuel customers
			• Unregulated sales

St. Lewis Marine Terminal	• Regular Gasoline	• Woodward's	• Motor Fuel
			  ○ St. Lewis
			  ○ Port Hope Simpson
			• Unregulated sales

Cartwright Marine Terminal	• Diesel Motor Fuel • Stove Oil Heating Fuel	• Woodward's	• Motor Fuel ○ Cartwright • Heating Fuel customers • Unregulated sales

Marine tanker deliveries to the marine terminals in Port Hope Simpson, St. Lewis, and Cartwright normally occur seasonally - in June and October through to mid-December, depending on the ice conditions and volumes of sales. Depending on the level of demand in Zone 11 product may at

[39] The decommissioning of the marine depot in Mary's Harbour and a bulk storage facility in Cartwright was noted in the 2005-2006 storage and distribution study and was confirmed during this review.

[40] Product stored at the Charlottetown bulk storage facility is sourced from the marine terminal in L'Anse-au-Loup in Zone 10 and delivered by tanker truck to the storage facility.

times be sourced from the marine terminal in L'Anse-au-Loup or Goose Bay.[41] The Charlottetown bulk storage facility is typically resupplied prior to the last marine tanker delivery to the marine terminal in L'Anse-au-Loup for the year. The frequency of product delivery to retailers in Zone 11 can range from weekly to monthly, depending on the retailer's location, time of year and local demand. For example some retailers in Cartwright receive deliveries of gasoline monthly while other retailers in Zone 11 receive deliveries weekly or bi-weekly.

3.2.3 Sub-Zones 11a and 11b: Coastal Labrador South – Tanker Supplied and Drum Delivery

Sub-zones 11a and 11b cover the same geographic area which includes all isolated communities on the coast of Labrador south of the Hamilton Inlet that are not connected to a highway. These zones are distinguished only by method of supply – Sub-zone 11a is marine tanker supplied and Sub-zone 11b is drum delivery. Since the closure of the marine terminal in Black Tickle product now appears to be supplied to this region by drum delivery only. Based on the information available Woodward's supplies product from the marine terminal in Goose Bay by truck via ferry to fill drums in local communities, and it appears that individuals and businesses may also source product from retail locations in adjacent Zone 11.[42] The typical method of supply to all communities in Sub-zones 11a and 11b is set out below.

Sub-zones 11a and 11b Supply Chain			
Product Source	**Products Sold**	**Wholesaler(s)**	**Retail Locations**
Drum delivery from the Goose Bay Marine Terminal or Zone 11[43]	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	• Woodward's	• Individual customers • Unregulated sales

[41] The communities in Zone 11 are connected by road to the marine terminals in L'Anse-au-Loup in Zone 10 and Goose Bay in Zone 12 but the distances are significant. For example, the community of Lodge Bay, which is the nearest community in Zone 11 to the L'Anse-au-Loup marine terminal, is almost 130 kilometers away. Likewise, the community of Cartwright is over 390 kilometers away from the marine terminal in Goose Bay.

[42] Insufficient information has been provided to confirm the extent and frequency that product is sourced from Zone 11.

[43] Based on the information provided there are no storage facilities for regulated fuels in this region.

3.2.4 Zone 12: Central Labrador

Zone 12 includes the communities of Happy Valley-Goose Bay and North West River. Based on the information available there have not been significant changes in the method of supply to this zone in recent years. The typical method of supply within Zone 12 is set out below.

Zone 12 Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**

Goose Bay Marine Terminal	• Regular Gasoline
	• Premium Gasoline[44]
	• Diesel Motor Fuel
	• Stove Oil Heating Fuel
		• Woodward's
		• Parkland
			• Motor Fuel
			  ○ North West River
			  ○ Happy Valley-Goose Bay
			• Heating Fuel customers
			• Unregulated sales

Marine tanker deliveries to this zone typically begin in early June each year when ice conditions allow and final deliveries occur in the November to mid-December timeframe. Woodward's delivers product to six retail locations, home heat customers and other customers. Parkland is a small wholesaler which contracts another wholesaler to deliver its product to its two own-branded retail locations in the zone. The frequency of product delivery to individual retail locations depends on retailer location and local demand, but typically occurs on a weekly basis.

3.2.5 Zone 13: Western Labrador

Zone 13 includes the communities of Labrador City and Wabush. Based on the information available there have not been significant changes in the supply chain in this zone in recent years.[45] The typical method of supply to Zone 13 is set out below.

Zone 13 Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**
Labrador City Bulk Storage Facility	• Regular Gasoline • Premium Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	• Sobey's Inc. ("Sobey's") • DND Petroleum Distributors Inc. ("DND") • Allard Distributing Ltd. ("Allard's")	• Motor Fuel ○ Labrador City • Heating Fuel customers • Unregulated sales

[44] Premium gasoline is not supplied to the marine terminal by marine tanker but is sourced from the bulk storage facility in Labrador City in Zone 13 and trucked to Goose Bay approximately twelve times a year and is available for purchase at Woodward's retail locations.

[45] There was a change in ownership of the Labrador City bulk storage facility which is now owned by Harnois.

The Labrador City bulk storage facility is normally supplied by train from Sept-Iles, Quebec. Deliveries to this facility occur on a regular basis throughout the year, typically weekly. Premium gasoline is trucked from Quebec every week. It appears that the wholesalers deliver product to three retail locations in the zone as well as heating fuel customers.

3.2.6 Sub-Zone 13a: Churchill Falls

Sub-zone 13a includes the community of Churchill Falls. There was little information provided in relation to this zone but, based on the information available, there is one wholesaler and one retailer and there appears to have been no change in the supply chain in recent years. The typical method of supply to Sub-zone 13a appears to be as set out below.

Sub-Zone 13a Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**
Tanker truck from the Labrador City Bulk Storage Facility in Zone 13	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	• Allard's	• Motor Fuel ○ Churchill Falls • Heating Fuel customers • Unregulated sales

3.2.7 Zone 14: Coastal Labrador North

Zone 14 includes Rigolet, Makkovik, Hopedale, Postville, Hopedale and Nain. Based on the information available there have not been significant changes with respect to the supply chain in Zone 14 in recent years. The typical method of supply within Zone 14 is set out below.

Zone 14 Supply Chain			
Product Source	**Product Sold**	**Wholesaler(s)**	**Retail Locations**
Rigolet Marine Terminal	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	Woodward's[46]	• Rigolet and area
Makkovik Marine Terminal	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	Woodward's	• Makkovik and area
Postville Marine Terminal	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	Woodward's	• Postville and area
Hopedale Marine Terminal	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	Woodward's	• Hopedale and area
Nain Marine Terminal	• Regular Gasoline • Diesel Motor Fuel • Stove Oil Heating Fuel	Woodward's	• Nain and area

Deliveries to the marine terminals in Zone 14 typically begin in mid-June each year when ice conditions permit the resupply of product and the final supply of product before winter typically occurs in the early November to mid-December timeframe. In this zone there are no typical motor fuel outlets and retail fuel pumps are generally located at the site of the marine terminal.

3.3 Maximum Price Components

3.3.1 Benchmark Prices

The benchmark prices reflected in maximum prices in Labrador may be different than those used for maximum prices in other areas of the Province. For example, the benchmark price for diesel motor fuel in Labrador is based on 100% ULSK, whereas on the Island it is based on ultra low sulfur diesel ("ULSD") or a blend of products depending on the time of year.[47] In addition as furnace oil is not used in Labrador the Board does not set a benchmark price for furnace oil in Labrador. The most widely used product for heating purposes in Labrador is stove oil heating

[46] In 2019 and 2020 there were changes in the operation of the marine terminal in Rigolet. Based on a CBC article, dated June 24, 2019, the Nunatsiavut Group of Companies along with Nunatsiavut Government took over operation of the marine terminal in Rigolet from the local council in 2019. Based on an article in the Guardian, dated September 30, 2020, the Rigolet Inuit Community Government will operate the gas station.

[47] It is noted that the diesel motor fuel product sold in Zone 13 and Sub-zone 13a is a blend of products and not 100% ULSK as reflected in the benchmark price.

fuel. It appears that the stove oil heating fuel benchmark prices may not reflect the product which is currently being supplied as stove oil heating fuel in Labrador. Based on the information provided, stove oil heating fuel in Labrador is primarily ULSK but the benchmark is based on ULSD, the same as on the Island.[48]

3.3.2 Allowed Mark-ups

The allowed mark-ups are intended to account for the costs incurred by wholesalers and retailers in supplying product to customers. The current wholesale, retail and total allowed mark-ups established for Labrador are set out below.

Labrador Wholesale, Retail and Total Allowed Mark-ups[49] (cpl)

Product	Zone(s)	Wholesale Mark-Up	Retail Mark-Up	Total Allowed Mark-Up
Gasoline	10, 11, 12, 13 and 13a	10.65	10.28	20.93
	11a, 11b, and 14	10.65	12.67[50]	23.32
Diesel	All Labrador Zones	10.07	14.03	24.10
Stove Oil	10, 11, 12, 13 and 13a	8.11	20.28	28.39
	11a, 11b, and 14	15.49	12.90	28.39
Propane	All Labrador Zones			51.09[51]

3.3.3 Zone Differentials

The zone differentials included in maximum prices account for differences in the storage and distribution costs associated with the supply of petroleum products to each zone. These include costs associated with marine freight, the operation of marine terminals and bulk storage facilities, tank wagon or tanker truck delivery, and the cost of filling, handling and delivering drums. The large distances between communities, low volumes of sales and challenging weather

[48] The product offered in Zone 13 and Sub-zone 13a as stove oil heating fuel is the same as diesel motor fuel which is a blend of products.
[49] These mark-ups reflect the increases which were approved in Order No. P.P. 46(2020), effective October 1, 2020.
[50] An amount of 2.3913 cpl is added to the retail mark-up based on the assessment in the 2005-2006 storage and distribution study that additional costs should be reflected for retailers in these zones to remain viable.
[51] The Board does not establish wholesale maximum prices for propane heating fuel and therefore only a total allowed mark-up for the product is established.

and climactic conditions in Labrador may affect supply costs in the zones. The current zone differentials in Labrador are set out in the table below.[52]

Current Pricing Zone Differentials (cpl)				
Pricing Zone	**Gasoline**	**Diesel**	**Stove Oil**	**Propane**
10	7.20	5.59	8.50	6.50
11	14.55	13.33	17.20	15.20
11a	19.81	18.31	25.40	23.40
11b	25.99	26.29	35.20	33.20
12	3.23	2.98	3.20	1.20
13	4.73	4.73	5.20	3.20
13a	6.91	6.91	7.30	5.30
14	19.81	18.31	25.40	23.40

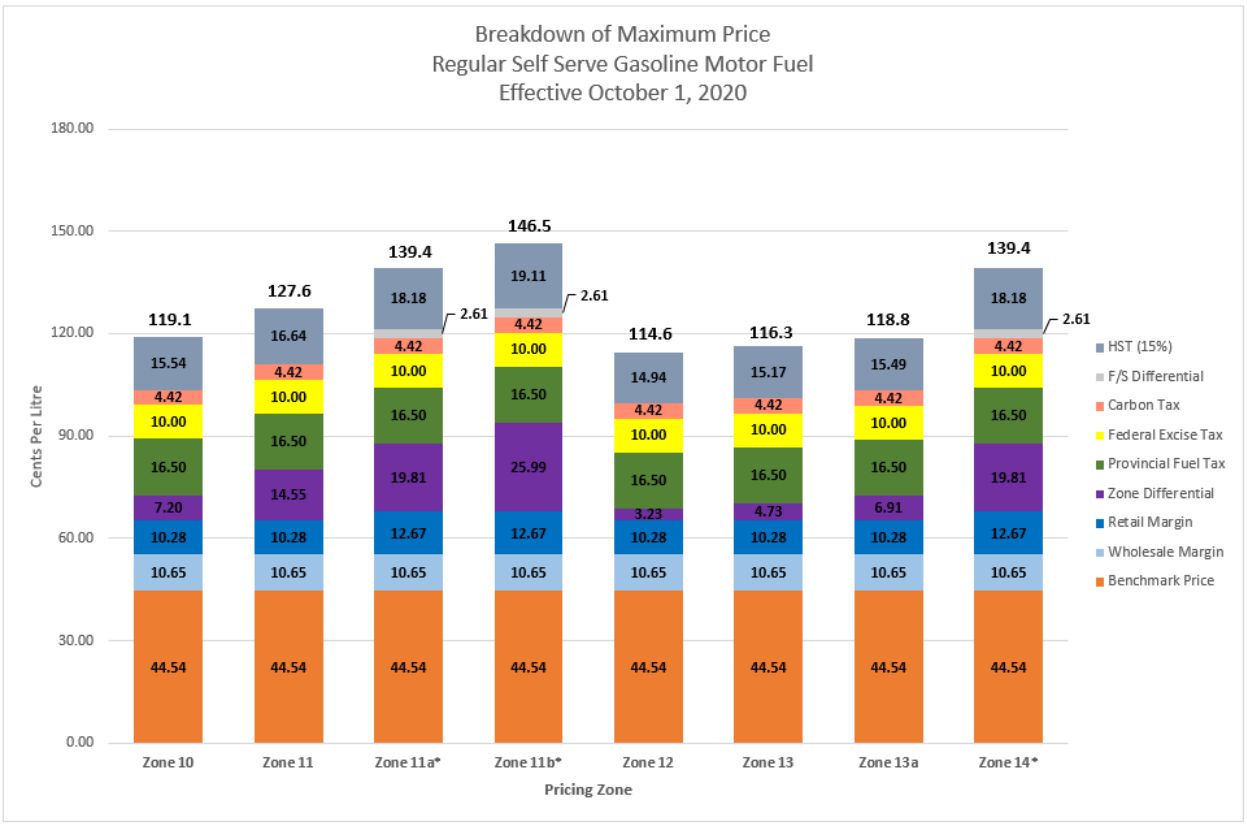
A breakdown of the specific cost factors and the allocations included in the calculation of the zone differentials in Labrador is set out in Exhibit G.

3.3.4 Maximum Prices

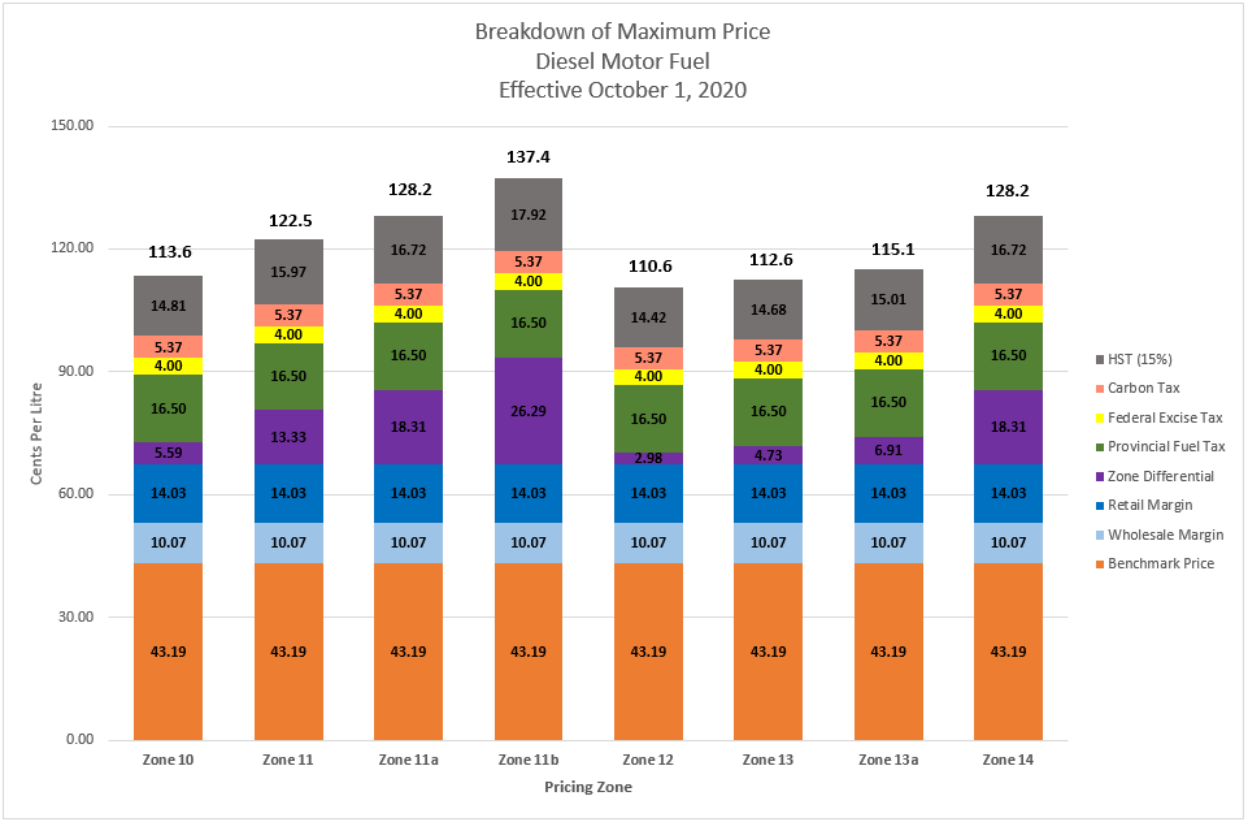
As a result of differences in the allowed mark-ups and zone differentials the maximum prices in Labrador may be quite different from one zone to another.[53] At times these differences in maximum prices have raised concerns in relation to whether the prices are fair. The recent differences between the price components and maximum prices in the Labrador zones are shown below.

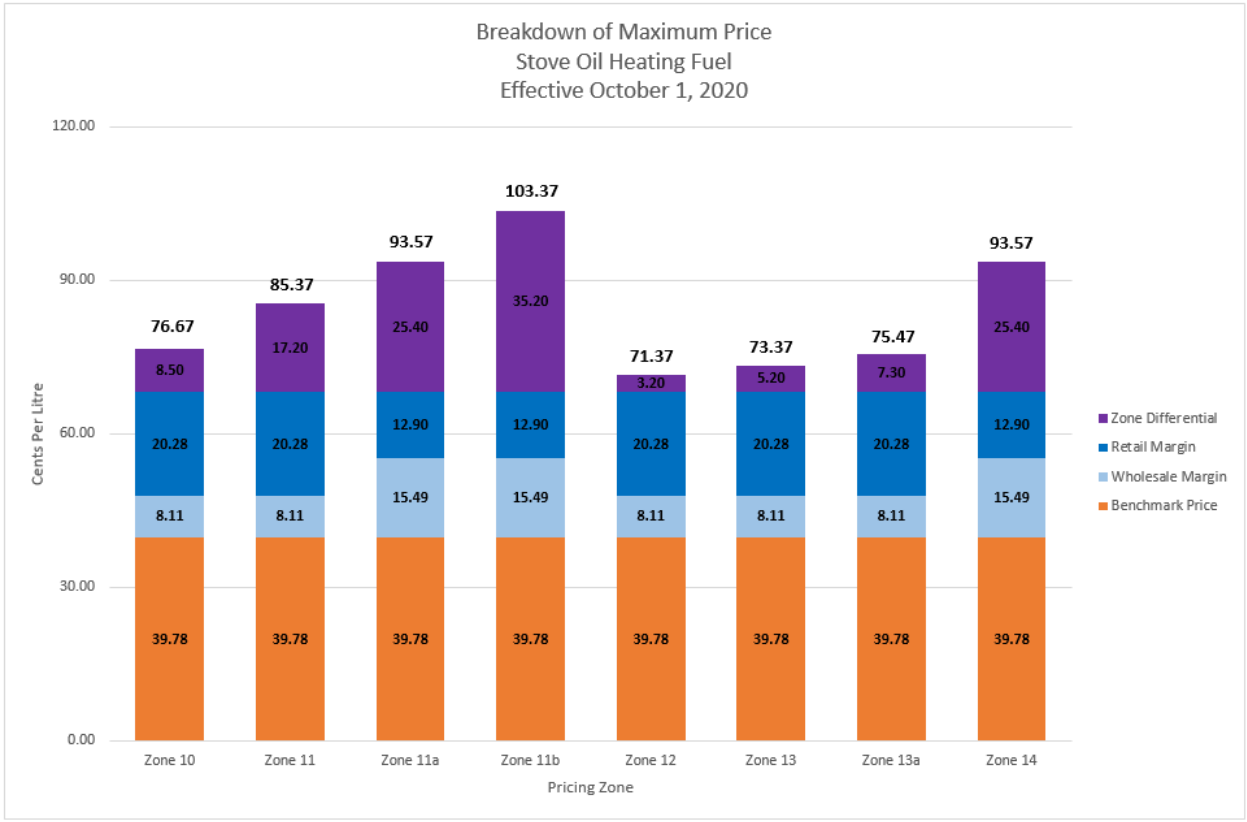
[52] The current zone differentials in Labrador have been in place since 2006 and were determined based on the total costs at the time.

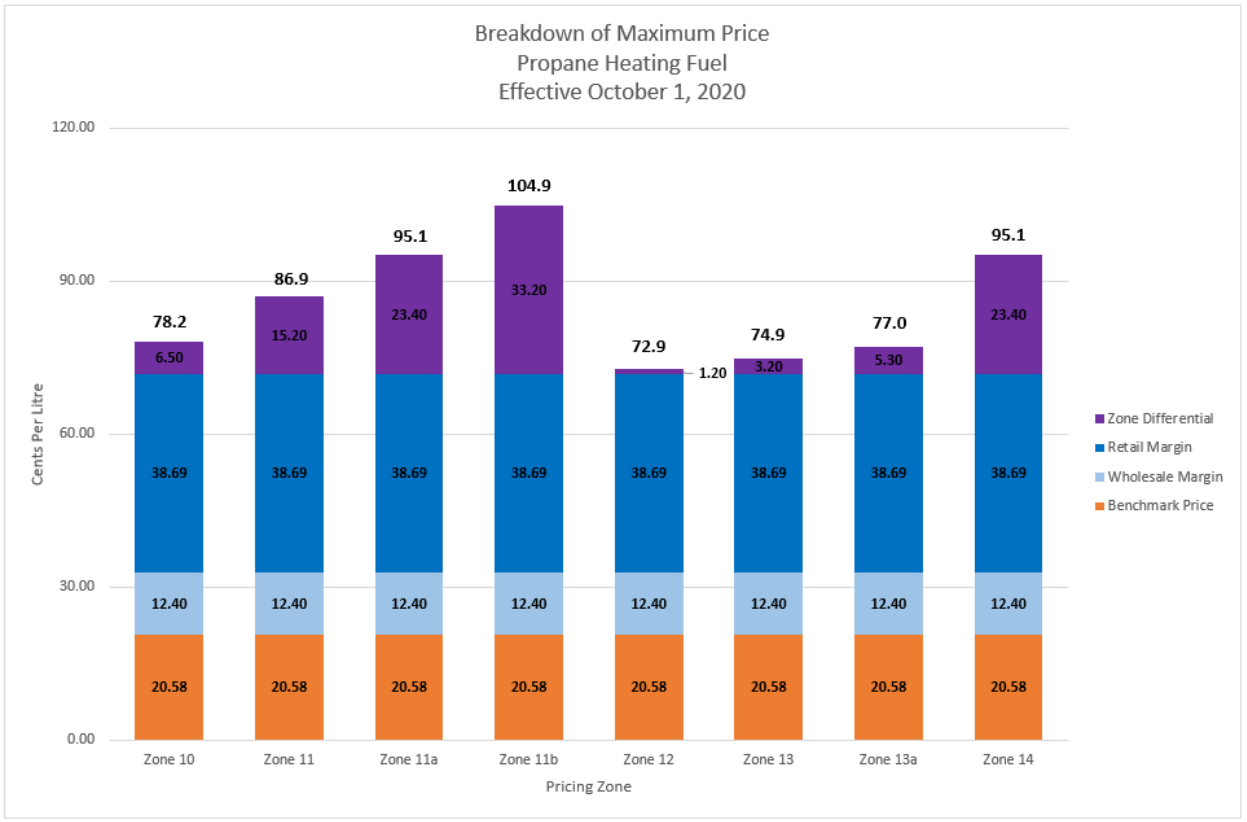
[53] The maximum prices for all products all grades in all zones are set out in Exhibit H.



*Maximum prices for Regular Full-Service Gasoline as there is no self serve maximum price established by the Board.




Breakdown of Maximum Price
Stove Oil Heating Fuel
Effective October 1, 2020
120.00
90.00
60.00
30.00
0.00
Cents Per Litre
76.67
8.50
20.28
8.11
39.78
85.37
17.20
20.28
8.11
39.78
93.57
25.40
12.90
15.49
39.78
103.37
35.20
12.90
15.49
39.78
71.37
3.20
20.28
8.11
39.78
73.37
5.20
20.28
8.11
39.78
75.47
7.30
20.28
8.11
39.78
93.57
25.40
12.90
15.49
39.78
Zone 10
Zone 11
Zone 11a
Zone 11b
Zone 12
Zone 13
Zone 13a
Zone 14
Pricing Zone
Zone Differential
Retail Margin
Wholesale Margin
Benchmark Price


Breakdown of Maximum Price
Propane Heating Fuel
Effective October 1, 2020
120.00
90.00
60.00
30.00
0.00
Cents Per Litre
78.2
6.50
38.69
12.40
20.58
86.9
15.20
38.69
12.40
20.58
95.1
23.40
38.69
12.40
20.58
104.9
33.20
38.69
12.40
20.58
72.9
1.20
38.69
12.40
20.58
74.9
3.20
38.69
12.40
20.58
77.0
5.30
38.69
12.40
20.58
95.1
23.40
38.69
12.40
20.58
Zone 10
Zone 11
Zone 11a
Zone 11b
Zone 12
Zone 13
Zone 13a
Zone 14
Pricing Zone
Zone Differential
Retail Margin
Wholesale Margin
Benchmark Price

3.4 Timing of Maximum Price Adjustments

Maximum prices for Zones 10, 11, 11b, 12, 13 and 13a are adjusted weekly year-round as part of the Board's regular adjustment schedule. In Sub-zone 11a and Zone 14 the regular weekly maximum price adjustment is suspended in the winter months.[54] This suspension was established based on the fact that these zones are supplied by marine tanker and, due to ice conditions, deliveries generally cannot occur in the winter. Prior to the closure of the shipping season in the fall the winter supply is delivered with no resupply until spring when the ice conditions again permit marine tanker deliveries.

The winter suspension of maximum price adjustments in Sub-zone 11a and Zone 14 is intended to ensure that the price of the product sold throughout the winter reflects the cost of the fuel which was supplied in the fall. As a result of this suspension, maximum prices remain the same throughout the winter season, regardless of the changes in the actual market price and maximum prices in other zones. Upon resupply in the spring maximum prices in Sub-zone 11a and Zone 14 again fluctuate weekly with the market. In Zones 10, 11, and 12 maximum prices are adjusted on a weekly basis year-round even though these areas are also typically served by marine tanker and ice conditions during the winter make resupply difficult and, in some circumstances, impossible.

4.0 ISSUES AND OPTIONS

4.1 Issues to be Addressed

As part of the planning process for this review the Board sought input from community and industry stakeholders in Labrador as to the issues to be addressed. Comments were received from a wide variety of interested persons including elected officials, community representatives, wholesalers and retailers.

Some of the issues which were raised are not within the jurisdiction of the Board and its mandate with respect to the regulation of the maximum price of petroleum products in the Province. In

[54] See Exhibit I for the price adjustment suspension dates in Sub-zone 11a and Zone 14 in recent years.

particular issues were raised with respect to the quality testing of fuels, annual calibration of pumps, the availability of fuel in remote communities, a rate stabilization plan and fuel subsidy, measures to decrease carbon footprints, and appointment of a Labrador representative to the Board. Since these issues are not within the purview of the Board they will not be addressed in this review. Stakeholders may wish to pursue these matters with appropriate levels of Government.

Based on the comments and information provided the Board has identified the following issues with respect to the regulation of the maximum price of petroleum products in Labrador to be addressed in this review:

> ***1) Zone Boundaries*** – Should there be changes with respect to the zone boundaries in Labrador, including combining zones?
>
> ***2) Zone Differentials*** – Should there be changes to the zone differentials currently reflected in the maximum prices established for each zone?
>
> ***3) Winter Suspension of Maximum Price Adjustments*** – Should there be changes with respect to the winter suspension of maximum price adjustments in Labrador, including changing the zones subject to the suspension or the timing of the suspension?
>
> ***4) Frequency of the Regular Adjustment of Maximum Prices*** – Should there be changes to the timing of the regular adjustment of maximum prices?
>
> ***5) Benchmark Prices and Rack Pricing*** – Are there issues which should be addressed with respect to differences between benchmark prices and the prices charged to wholesalers?

These issues and the potential options identified to address these issues are discussed in the following sections.

4.2 Zone Boundaries

As set out in section 3.1 Labrador has been divided into five primary pricing zones and three sub-zones to reflect the various methods of supply, storage and delivery of regulated petroleum products and associated costs.

4.2.1 Comments and Information from Stakeholders

Issues related to the zone boundaries in Labrador were raised in many of the comments received from community leaders and representatives.

- Representatives for the Combined Councils of Labrador, Mary's Harbour and St. Lewis expressed the view that there should be changes with respect to the pricing zone boundaries, including the merger of some zones.

- The Combined Councils of Labrador suggested that the three zones in coastal Labrador should be combined.

- The comments from Mary's Harbour and St. Lewis suggested that the region from L'Anse-au-Clair to Cartwright should be considered one pricing zone. The federal representative for Labrador noted there have been improvements to the road in southern Labrador and the zones are mere kilometers apart.[55]

- The federal representative for Labrador and the provincial representative for Torngat Mountains raised the possibility of a uniform approach to pricing.

The Board also received information from industry stakeholders related to the zone boundaries.

- The method of supply to most zones in Labrador has not changed significantly since the storage and distribution study in 2005-2006 though there have been some facility ownership changes and closures.

[55] The distance from Red Bay in Zone 10 to Lodge Bay in Zone 11 is approximately 80 kilometers. Mary's Harbour is less than 10 kilometers from Lodge Bay.

- The isolated communities in coastal Labrador South may no longer be supplied with regulated petroleum products by marine tanker as the marine terminal in Black Tickle is no longer operating.

- Zone 10 continues to be supplied from the L'Anse-au-Loup marine terminal.

- Zone 11 continues to be primarily supplied from storage facilities within the zone, though gasoline is supplied to Cartwright via truck from storage facilities in Zone 11 (St. Lewis and Charlottetown) and Zone 12 (Goose Bay).

4.2.2 Options

There are a number of options which may be considered to address the issues related to the zone boundaries. In considering the options it is important to note that the purpose of the zone boundaries is to reflect as closely as possible the different methods of supply to an area so that suppliers can recover the cost of the product and consumers have an adequate supply of product.

- **Maintain the existing boundaries for Zones 10 and 11.** The boundaries for Zones 10 and 11 reflect the fact that these zones are primarily supplied from storage facilities within each zone.[56] Based on the information available it does not appear that there have been substantial changes in the method of supply to Zones 10 and 11 since the last storage and distribution study in 2005-2006. Given that the zone boundaries generally reflect the realities of the method of supply to these zones it would be consistent with cost-based price regulation to maintain the boundaries for Zones 10 and 11.

- **Combine Zones 10 and 11.** Combining Zones 10 and 11 would result in uniform pricing for all communities in this region. These communities are connected by a road which has been improved in recent years and some stakeholders have suggested that these areas should now be treated the same. If Zones 10 and 11 are combined the maximum prices for the combined zone would reflect the costs of supplying the whole region. For consumers currently in Zone 10 this may mean upward pressure on fuel prices and for

[56] Gasoline motor fuel is supplied to Cartwright by one wholesaler from Goose Bay. In addition other products may occasionally be supplied from outside of the zone.

those in Zone 11 this may mean downward pressure on fuel prices. For wholesalers this may mean that it would be more difficult to recover the costs of supplying some communities. For retailers a uniform price may reduce the occasions where consumers travel between zones to purchase petroleum products.

- **Other changes to the boundaries of Zones 10 and 11.** The Zone 10 boundary may be extended to include the closest communities in Zone 11; in particular Lodge Bay and Mary's Harbour. Based on the information available this would not be consistent with the method of supply as these communities are primarily supplied from storage facilities in Zone 11. Consideration may also be given as to whether Cartwright should be a sub-zone given that it is relatively distant from the other communities in Zone 11 and may have different supply costs than other communities in Zone 11, particularly for gasoline motor fuel delivery.

- **Eliminate the distinction between Sub-zones 11a and 11b.** Sub-zones 11a and 11b include the same communities and geographic area and are distinguished by the source of supply only – marine tanker for Sub-zone 11a and drum delivery for Sub-zone 11b. Based on the information available the Black Tickle marine terminal has now been closed and it would appear that there is no longer marine tanker delivery of regulated petroleum products to Sub-zone 11a.

- **Combine the coastal community zones, the marine tanker supplied zones or all zones.** Combining some or all zones would provide for uniform pricing within the zones which may address some of the concerns raised in relation to the differences in product prices in different regions of Labrador. It may, however, raise other concerns. The differences in the supply chain and the associated differences in costs are the basis for the current zones and price differences. There are significant cost differences associated with different storage facilities, delivery distances and the volume of sales in an area. From the consumer perspective combining some or all zones may result in upward pressure on maximum prices in certain areas and downward pressure on maximum prices in other areas. From the wholesaler perspective the maximum price would not necessarily provide for recovery of the costs incurred to supply a particular area.

It appears based on the information available at this time that, with the exception of Sub-zone 11a, the zone boundaries generally reflect the current method of supply in Labrador, though the Board invites further information and commentary on this issue. In particular, the Board asks that stakeholders provide feedback and information on the following questions:

i) Should there be changes with respect to the boundaries for Zones 10 and 11 and, if so, what changes are proposed?

ii) Should Sub-zone 11a be eliminated so that there is one sub-zone with maximum prices based on drum delivery for this region?

iii) Should there be one zone for the coastal communities (Zones 11a, 11b and 14), the marine tanker supplied zones (Zones 10, 11, 11a, 11b, 12, and 14) or all of Labrador?

4.3 Zone Differentials

The zone differentials account for differences in storage and distribution costs associated with the supply of petroleum products to a zone.

4.3.1 Comments and Information from Stakeholders

There was a great deal of commentary provided in relation to the differences in prices between zones which are primarily the result of the zone differentials established for each zone.

- Issues related to the difference between prices in Zones 10 and 11 were raised by representatives for the Combined Councils of Labrador, Mary's Harbour, St. Lewis, Makkovik, Postville and Rigolet as well as the provincial representative for Cartwright – L'Anse-au-Clair and the federal representative for Labrador. It was suggested that the differences in prices are too high. It was noted by the provincial representative for Cartwright – L'Anse-au-Clair that the communities in the southern part of these zones are only 78 kilometers apart and have been connected by road since 2001. The Combined Councils of Labrador representative commented that the only added costs should be the cost of having the product trucked to the communities in the zone.

- In relation to Zone 12 the provincial representative for Lake Melville commented on the risk to the continued supply of higher grade fuel to Happy Valley-Goose Bay in light of the costs associated with the supply from Labrador City, a distance of over 520 kilometers.

- Concerns were raised by the provincial representative for Lake Melville with respect to Zone 13 and the overhead costs of the retailer in Churchill Falls which receives fuel from Labrador City, over 200 kilometers away. The provincial representative for Labrador West suggested that consumer fairness needs to be balanced with maintaining retailers in the communities and noted the negative impact on retailers of the lower fuel prices in Fermont, Quebec which is a 20-kilometer drive from Labrador City.

- Concerns in relation to prices paid by those in Zone 14 as compared to the rest of Labrador were raised by the federal representative for Labrador. Representatives for Makkovik, Postville and Rigolet stated that they do not believe that the prices in Zone 14 are reasonable and noted that they are closer to the refinery than other regions. The provincial representative for Torngat Mountains noted the impact of high fuel prices on socio-economic conditions in Northern Labrador.

The Board also received information from industry stakeholders related to the zone differentials and the current storage and distribution costs for fuel sales in Labrador which suggests there may have been cost changes in recent years. This cost information was provided on a confidential basis since it is sensitive commercial information. As a result the detailed cost information is not set out in this paper and is discussed in aggregate as set out below.[57]

- The updated cost information provided suggests significant increases in the total laid-in costs associated with the storage and distribution of some products in some zones in Labrador since these costs were last reviewed.

- In general the largest increases in costs appear to be primarily related to increases in marine freight costs with some smaller increases in delivery costs. In addition the costs

[57] Given the limited number of suppliers in the region disclosure of this information could be detrimental for suppliers and therefore the detailed cost information has been described on an aggregate basis where possible to avoid confidentiality concerns.

are greatly influenced by fluctuations in the volumes sold from storage locations in a zone in a given year.[58]

- While the information provided suggests that the total laid-in costs associated with supplying petroleum products to most zones in the Labrador have increased, decreases in supply costs for some products in some zones are also indicated.

Given the timeframe available in this review, the cost information which could be gathered was somewhat limited in scope and data period.[59] The suggested changes in costs indicated by the information which was gathered in this review are summarized in Exhibit J.

4.3.2 Options

Based on the information provided it seems that consumers and community leaders would like to see maximum prices for some zones reduced. It appears, however, that there have been increases in costs which may warrant an increase in the differentials in many zones which would result in higher maximum prices. In considering the options with respect to the zone differentials it should be remembered that both suppliers and consumers have an interest in a healthy market where suppliers can recover costs and continue to supply product to consumers.

- **Maintain the existing zone differentials.** If the zone differentials currently in place for each of the zones in Labrador are maintained the existing differences in maximum prices between zones would be maintained.[60] At the same time it appears, based on the information provided, that the zone differentials may not reflect the current costs of supply for all products in all zones. This may pose a risk to the continued availability of fuel products for consumers.

[58] For example if operating costs for a marine terminal remain the same year over year but the volumes sold from that marine terminal decrease, in general the costs on a cpl basis associated with storage will increase.

[59] The data period is only three years and in some cases only one or two years of data was provided by respondents. In addition some specific cost data was not provided, for example the information related to Zone 13 and Sub-zone 13a was limited and no cost information was provided for propane heating fuel. Further the data reflects the current storage and distribution costs in the zones net of the storage and distribution costs in the base zone which have not recently been updated.

[60] Currently maximum prices in Zone 10 are lower than in Zone 11 by 8.5 cpl for gasoline motor fuel, 8.9 cpl for diesel motor fuel, 8.7 cpl for stove oil heating fuel, and 8.7 cpl for propane heating fuel.

- **Change the zone differentials.** Based on the information provided in this review the costs of supply to Labrador may have changed since the last review, with increases of up to 8.0 – 9.0 cpl for some products in some zones. To reflect these cost changes it may be necessary to increase the zone differentials, though there would be some decreases as well. Implementation of the indicated cost changes may increase the maximum prices in Zones 11 and 14 for gasoline and diesel motor fuel. Since the indicated increases in Zone 10 are larger than in Zone 11, the difference in maximum prices between Zones 10 and 11 would decrease.[61]

- **Delay changes to the zone differentials pending further review.** The information provided in this review in relation to the costs of supply and the adequacy of the zone differentials suggests there have been changes in costs since the last review. It should be noted that there are limitations with respect to the information collected as it covered only the 2017-2019 timeframe, some of the requested information was not provided and base zone costs have not been updated. As such, to get a full picture of the cost changes it may be appropriate to seek more information before determining the extent of the changes to be made to the zone differentials in the circumstances.

It appears, based on the information provided, that there have been changes to the costs of supply for some products in some zones. The Board invites further information and commentary on whether the zone differentials should be changed as part of this review to reflect the updated cost information or whether further review is required. In particular, the Board asks that stakeholders provide feedback and information on the following questions:

i) Should the existing zone differentials be maintained?

ii) Should the zone differentials be changed based on the information provided in the review?

[61] Based on the information provided the difference between the maximum prices in Zones 10 and 11 may be reduced to approximately 3.0 cpl for gasoline and approximately 2.0 cpl for diesel motor fuel. The costs related to stove oil heating fuel appear to have changed so that maximum prices in Zone 10 would be higher than in Zone 11 by over 1.0 cpl.

iii) Should the implementation of changes to the zone differentials be subject to further review by the Board?

4.4 Seasonal Suspension of Price Adjustments

In most years the suspension of maximum price adjustments for the winter in Sub-zone 11a and Zone 14 does not raise significant issues. However, large commodity price changes over the course of the winter have at times raised concerns in relation to the suspension. For example, decreasing commodity prices while maximum price adjustments are suspended, as happened in March of 2020, raised concerns in relation to the recovery of the costs of supply.

4.4.1 Comments and Information from Stakeholders

In this review the Board received a number of comments related to the seasonal suspension of price adjustments in Labrador.

- Community representatives for Makkovik, Postville, Rigolet and the Nunatsiavut Government seemed to support the winter suspension of prices and stated that fuel prices should be based on the cost at the time of purchase.

- The provincial representative for Lake Melville commented in relation to Zone 12 that it is generally recognized that price adjustments should not happen when there is no resupply of product. A cap on the level of price adjustments was suggested as an alternative to the winter suspension of maximum price adjustments in Zone 12.

- The federal representative for Labrador commented that a review of the price adjustment suspension is necessary so that maximum prices reflect the actual cost of the product being supplied.

- The representative for Mary's Harbour stated that they would not want Zone 11 to return to the suspension of price adjustments in the winter.

- In terms of the timing of the winter suspension of price adjustments representatives for Mary's Harbour, the Combined Councils of Labrador, Makkovik, Postville and Rigolet commented that the prices should change when all the old stock is sold. It was also noted

that the winter freeze-up occurs much later in Zone 14 than in Zone 12 and that vessels are generally able to deliver shipments into the first week of December. The provincial representative for Lake Melville suggested that, for Zone 12 and for other zones where fuel is usually delivered twice a year, maximum prices should be set on the Thursday following each tanker delivery and that for Churchill Falls (Zone 13a) the timing of the inventory purchases should also be recognized.

- The fact that there is no suspension of price adjustments in the summer was noted in the comments filed from the representatives for Mary's Harbour, the Combined Councils of Labrador, Makkovik, Postville and Rigolet as well as the federal representative for Labrador.

In addition the Board received information from industry stakeholders in relation to the suspension of adjustments to maximum prices and the supply of product in Labrador as set out below.

- While the marine tanker supplied zones usually receive product in the late spring and late fall, the timing of supply is different for different zones and varies from year to year. In some years there may be multiple supplies to a zone in the fall and in the spring and there may be supply during the summer. The dates of marine tanker dockings in the last few years are set out in Exhibit K.

4.4.2 Options

The seasonal suspension of maximum price adjustments is intended to provide for maximum prices which reflect the cost to supply the product. The Board has identified a number of options in relation to the seasonal suspension of maximum price adjustments.

- **Maintain the current winter suspension of maximum price adjustments**. If the suspension of maximum price adjustments in Sub-zone 11a and Zone 14 is maintained, the maximum price in these zones would remain the same throughout the winter while the maximum price in the other zones would be adjusted weekly. This may mean that, where there are decreasing commodity prices over the winter, wholesalers and retailers

in unsuspended zones which are marine tanker supplied may be faced with selling product below cost. Alternatively, in the case of increasing maximum prices over the winter, maximum prices in the unsuspended zones which are marine tanker supplied may increase so that they are higher than necessary to provide for the recovery of the cost of the product.

- **Extend the winter suspension of maximum price adjustments to all marine tanker supplied zones**. If the winter suspension of maximum price adjustments is extended to include the zones in Labrador which are primarily supplied by marine tanker, maximum prices for all Labrador zones, except Labrador West, would be set in the fall and would not change until the spring resupply. This approach appears to best reflect the method of supply to the marine tanker supplied areas and would therefore provide for maximum prices which best reflect the average costs of supply. This approach would require the implementation of a winter suspension of maximum price adjustments for Zones 10, 11, 11b and 12. As far as the Board is aware, there has not been a suspension of maximum price adjustments in Zone 12 since the mid 1990s, in Zone 11 and Sub-zone 11b since 2009, and in Zone 10 there has never been a seasonal suspension. Maximum prices in Zone 13 and Sub-zone 13a would continue to fluctuate, which may raise issues for the supply of product from this zone to zones which are subject to the suspension of maximum price adjustments.[62] An analysis of the data since 2009 suggests that there would not have been a large difference in the maximum prices over the full period, on an average basis, whether or not there was a seasonal suspension of price adjustments, though there may be significant differences from year to year. The average yearly variance and the overall variance between suspended and unsuspended maximum prices is set out in Exhibit L and the annual variances are illustrated in Exhibit M.

- **Change the timing of the winter suspension of maximum price adjustments.** Currently the suspension of maximum price adjustments occurs at the same time for all communities in Sub-zone 11a and Zone 14 - at the first scheduled adjustment in

[62] Premium fuels are generally delivered from Zone 13 to Zone 12 twelve times a year.

November. Price adjustments resume at the same time when new supplies become available, usually in June or July.[63] The timing of the suspension is intended to reflect the cost to suppliers to purchase the product and therefore may not coincide with the timing of the last delivery to a community. There are frequently multiple deliveries of product in the fall and the dates of delivery to the different communities and zones may vary depending on the circumstances. Implementing different suspension dates for each zone based on delivery dates to the zone could result in price differences for the same products between the zones which would continue through the winter.

- **Introduce a summer suspension of maximum price adjustments.** As far as the Board is aware there has never been a summer suspension of maximum price adjustments in any zone in Labrador. Based on the information provided there are occasional deliveries of product in some marine tanker supplied zones during the summer months and in the early fall.[64] Based on an analysis of the data over the period 2009-2020 the introduction of a suspension of price adjustments for the summer in marine tanker supplied zones would not have made a significant difference in the maximum prices over the full period, on an average basis, though there may be significant differences from year to year. The average variance between suspended and unsuspended maximum prices is set out in Exhibit N.

- **Discontinue the suspension of maximum price adjustments.** Eliminating the suspension of maximum price adjustments in Sub-zone 11a and Zone 14 would result in a uniform approach to pricing for all of Labrador but may raise concerns in relation to continued supply. If there is a sustained drop in prices wholesalers may not be able to recover the cost of supply which may lead to supply issues for consumers, while a sustained increase may mean prices which are higher than necessary to recover the cost of supply. As an alternative to the suspension, it was suggested that consideration be given to the implementation of a price band to limit weekly price changes.[65] It should be noted, however, that such a band would likely reduce but not eliminate the issues which arise

[63] See the recent suspension and lift dates in Exhibit I.
[64] See Exhibit K.
[65] A limit of 5% was suggested by the provincial representative for Lake Melville.

when there is an extended period of price increases or decreases. This is because the cumulative weekly adjustments could be so large as to raise the same concerns with respect to differences between the cost of the product and the maximum price.

It appears, based on the feedback and information provided, that it may be appropriate to consider the introduction of a winter suspension of maximum price adjustments for all marine tanker supplied zones, though the Board invites further commentary in relation to this issue. In particular, the Board asks that stakeholders provide feedback and information on the following questions.

i) Should the current suspension of maximum price adjustments in Sub-zone 11a and Zone 14 be maintained?

ii) Should the suspension of maximum price adjustments be extended to other marine tanker supplied zones?

iii) Should there be changes to the timing of the suspension of maximum price adjustments?

iv) Should a summer suspension of maximum price adjustments be introduced?

v) Should the suspension of maximum price adjustments be eliminated for all zones in Labrador?

4.5 Regular Maximum Price Adjustment Frequency

Since 2010 the Board has made the regular adjustments to the maximum price of regulated petroleum products on a weekly basis, except where maximum price adjustments have been suspended for winter. Prior to 2010 the regular adjustments were made on a bi-weekly or monthly basis which raised a number of concerns, particularly when there was volatility in commodity market prices which could not be reflected in maximum prices between price adjustments.

4.5.1 Comments and Information from Stakeholders

The frequency of maximum price adjustments was raised in many of the comments filed by stakeholders.

- The provincial representative for Cartwright-L'Anse-au-Clair suggested that weekly price adjustments are too frequent for independent retailers. The federal representative for Labrador suggested that the frequency of price adjustments should be reviewed and consideration should be given to monthly adjustments for some zones.

- The provincial representative for Lake Melville questioned the adjustment of prices on a weekly basis, noting the protracted inventory turnover in Zone 13 and that the price decreases in early 2020 were particularly challenging for suppliers and retailers in Zones 12 and 13.

- The provincial representative for Labrador West suggested Zone 13 and Sub-zone 13a would not benefit if there is a change from the weekly adjustments.

- The community representative for Mary's Harbour commented that the weekly price adjustment seems to be working and that any changes should be made for all zones.

- Other suggestions were made to address the impact of the weekly price adjustments for suppliers when there is volatility in market prices, including a limit on the magnitude of a price adjustment.

The Board also received information from industry stakeholders related to the frequency of regular maximum price adjustments as set out below.

- In the spring of 2020 retailers in Zone 11 indicated that they were not able to recover the costs of the product which had been purchased weeks earlier before the price decreases and one retailer suggested that the Board adopt a longer time between adjustments.

- The supply of product to the supplier level (e.g. at the marine terminal) in most Labrador zones occurs a few times per year. The only exception is Zone 13 and Sub-zone 13a where delivery of product to the supplier is generally weekly.

- Based on the information provided the frequency at which product is purchased by wholesalers and delivered to retailers can vary significantly by zone and product which can be influenced by time of year, location and demand.

- In Zone 11 a wholesaler may purchase product on a frequent basis, weekly and in some cases daily, while another may purchase much less frequently, perhaps monthly and in some cases only a couple of times a year.

- Some wholesalers in Zones 10, 11 and 13 purchase based on a daily rack price. One wholesaler in Zone 13 commented that monthly adjustments could have a devastating effect on their operations.

- While most retailers receive deliveries of fuel on a weekly or bi-weekly basis, deliveries of some products may be less frequent in some areas, as in the case of gasoline motor fuel in Cartwright.

4.5.2 Options

Weekly adjustments of maximum prices are implemented in all zones in Labrador when there is no suspension of price adjustments for the winter. The issue of weekly price adjustments raised a diverse range of opinions to be considered when determining the best option in the circumstances. A number of options were identified by the Board with respect to the frequency of the regular adjustments.

- **Maintain weekly adjustments.** The weekly adjustment of prices is a simple predictable approach which may be considered to be more reactive to fluctuations in market prices. It is also consistent with the other Atlantic provinces so the relative differences in prices across the region can be easily compared. Weekly adjustments may be preferred for wholesalers who purchase product weekly or who purchase based on daily rack prices, and for retailers who purchase product weekly or bi-weekly.

- **Reduce the frequency of price adjustments.** In the past, when maximum prices were adjusted on a monthly or bi-weekly schedule, concerns were often raised with respect to price adjustment frequency when there was volatility in commodity prices. Big increases

or decreases in commodity prices over the longer pricing period can make it difficult for suppliers to recover the cost of supply between adjustments and lead to larger maximum price adjustments. If the timing of a purchase by a wholesaler or retailer is between price adjustments there could be a substantial difference in the cost and the maximum price.

- **Introduce different price adjustment timing for different zones.** It is unlikely that there is a schedule of regular price adjustments which can match the supply of all products by all suppliers in all zones. It was suggested that less frequent price adjustments be implemented for zones where there are less frequent deliveries. It is noted that the timing of the purchases of product may vary within a zone depending on the wholesaler, retailer, the type of product, community and the circumstances, for example gasoline is supplied less frequently in Cartwright than it is in other areas of Zone 11. In addition, different price adjustment schedules in different zones may lead to confusion and fairness concerns especially in those communities connected by road.

Based on past experience with monthly and bi-weekly adjustments of maximum prices and considering the information provided in this review, it appears that the weekly adjustment of maximum prices may be the most appropriate price adjustment frequency in the circumstances, though the Board invites additional commentary in relation to this issue. In particular, the Board asks that stakeholders provide information and feedback in relation to the following questions.

i) Should regular adjustments to maximum prices continue on a weekly basis?

ii) Should the frequency of maximum price adjustments be changed? If so, what is the proposed frequency?

iii) Should a different maximum price adjustment schedule be implemented for some zones?

4.6 Benchmark Prices and Rack Pricing

While the benchmark price to be used for setting maximum prices is determined by the Board based on the data source prescribed in the *Regulations,* the actual price paid by wholesalers for the product, the “rack” price, is ultimately dependent on the negotiated contractual

arrangements with suppliers of the product. This can vary from one region to another and from one wholesaler to another and may depend on the circumstances at the time.

4.6.1 Comments and Information from Stakeholders

The information provided by industry stakeholders raised issues related to differences between the benchmark prices and rack pricing.

- For wholesalers operating in Zone 13 it appears that profitability may be impacted by the fact that suppliers operate on a rack pricing model. One wholesaler provided some limited information comparing the established benchmark prices and product purchase prices which showed that, at times, there were significant differences for gasoline motor fuel and to a lesser extent for diesel motor fuel. It was suggested that rack pricing should be considered as an alternative benchmark.

- In the spring of 2020 issues were raised with respect to the rack prices in relation to diesel motor fuel and stove oil heating fuel purchases. Some limited information was provided which suggested that there can be significant differences between the rack price and the benchmark price for diesel motor fuel and stove oil heating fuel and that this difference increased in 2020. It was suggested that, given these differences, the mark-ups for these fuels may be inadequate to provide for continued profitability.

- The primary heating fuel product supplied in Labrador is stove oil which appears to be 100% ULSK in all zones except Zone 13 and Sub-zone 13a where it appears to be a blended product. Despite this the benchmark price for stove oil heating fuel is based on 100% ULSD for all of Newfoundland and Labrador.

4.6.2 Options

The issues raised in relation to the difference between benchmark prices and the actual cost paid by wholesalers for product were not widely commented on in this review and no specific comments were made in relation to the benchmark price of stove oil heating fuel in Labrador.

While it was suggested that rack pricing rather than the benchmark product assessments should be used to determine maximum prices or that there may need to be changes to the mark-ups, the information provided to date is not sufficient to assess the issue and the potential options. Data on rack prices is not publicly available as these prices are typically based on the contractual arrangement between the supplier and wholesaler. As such rack prices are unique to the wholesaler and may change, depending on the timing and source of the product. While some information was provided in relation to rack pricing, this information was limited to a few wholesalers for a limited period of time. It is also noted that changes to the prescribed benchmarks would ultimately require a change in legislation.[66]

In relation to stove oil heating fuel it would appear that the current benchmark does not reflect the product sold in Labrador. While there is a unique benchmark for diesel motor fuel in Labrador to reflect the fact that the product sold is different than on the Island this is not the case for stove oil heating fuel despite the fact that the circumstances are similar. While this was not raised as a specific issue in this review, concerns were raised in the spring of 2020 in relation to the profitability of stove oil heating fuel sales. The Board has reviewed the data for recent years and it would appear that changing the benchmark to 100% ULSK for stove oil heating fuel in Labrador would have meant that maximum prices for stove oil heating fuel would have, on average, been approximately 4.0 - 6.0 cpl higher depending on the period chosen.[67]

While it appears that there may be occasions where maximum prices may not provide for the recovery of the cost of supply for some wholesalers due to the differences between the price paid for the product and the benchmark price, there is insufficient information to fully assess this issue and the options. The Board asks that stakeholders provide further information and feedback with respect to the benchmark prices and rack pricing so that the issues and options can be fully assessed.

[66] Regulation 14(2.4) allows the Board to change the source for the benchmark price only in certain circumstances for a limited period of time.

[67] Based on the daily data over the period October 1, 2010 to October 1, 2020, the difference would have been approximately 6.0 cpl. Based on the daily data over the period October 1, 2017 to October 1, 2020 the difference would have been closer to 4.0 cpl.

5.0 NEXT STEPS

This consultation paper has been prepared to assist the Board and stakeholders in the review of petroleum products pricing in Labrador. The information, issues and options set out are based on input received from community leaders and representatives, consumers and suppliers of petroleum products in Labrador. While the gathering of the costing and supply information took much longer than anticipated the Board is pleased with the level and detail of information and commentary received. The information and commentary which was provided was invaluable in the preparation of this consultation paper.

In terms of next steps the Board believes that further information and commentary is required to address the issues which have been raised. The identified issues are complex and, depending on the options implemented, some stakeholders and regions may be impacted more than others. In addition there may be facts or considerations which have not been fully canvassed to date. As such the Board asks that stakeholders provide additional information and commentary on the issues and potential options identified in this paper. The Board also welcomes input on other options or considerations that may not have been identified in this paper to the extent that it is within the mandate of the Board. The specific areas and questions that the Board would like stakeholders to address are set out below.

Zone Boundaries

i) Should there be changes with respect to the boundaries for Zones 10 and 11 and, if so, what changes are proposed?

ii) Should Sub-zone 11a be eliminated so that there is one sub-zone with prices based on drum delivery for this region?

iii) Should there be one zone for the coastal communities, the marine tanker supplied zones, or all of Labrador?

Zone Differentials

i) Should the existing zone differentials be maintained?

ii) Should the zone differentials be changed based on the information provided in the review?

iii) Should the implementation of changes to the zone differentials be subject to further review by the Board?

Winter Suspension of Maximum Price Adjustments

i) Should the current suspension of maximum price adjustments in Sub-zone 11a and Zone 14 be maintained?

ii) Should the suspension of maximum price adjustments be extended to other marine tanker supplied zones.

iii) Should there be changes to the timing of the suspension of maximum price adjustments?

iv) Should a summer suspension of maximum price adjustments be introduced?

v) Should the suspension of maximum price adjustments be eliminated for all zones in Labrador?

Frequency of the Regular Adjustment of Maximum Prices

i) Should regular adjustments to maximum prices continue on a weekly basis?

ii) Should the frequency of maximum price adjustments be changed? If so, what is the proposed frequency?

iii) Should a different maximum price adjustment schedule be implemented for some zones?

Benchmark Prices and Rack Pricing

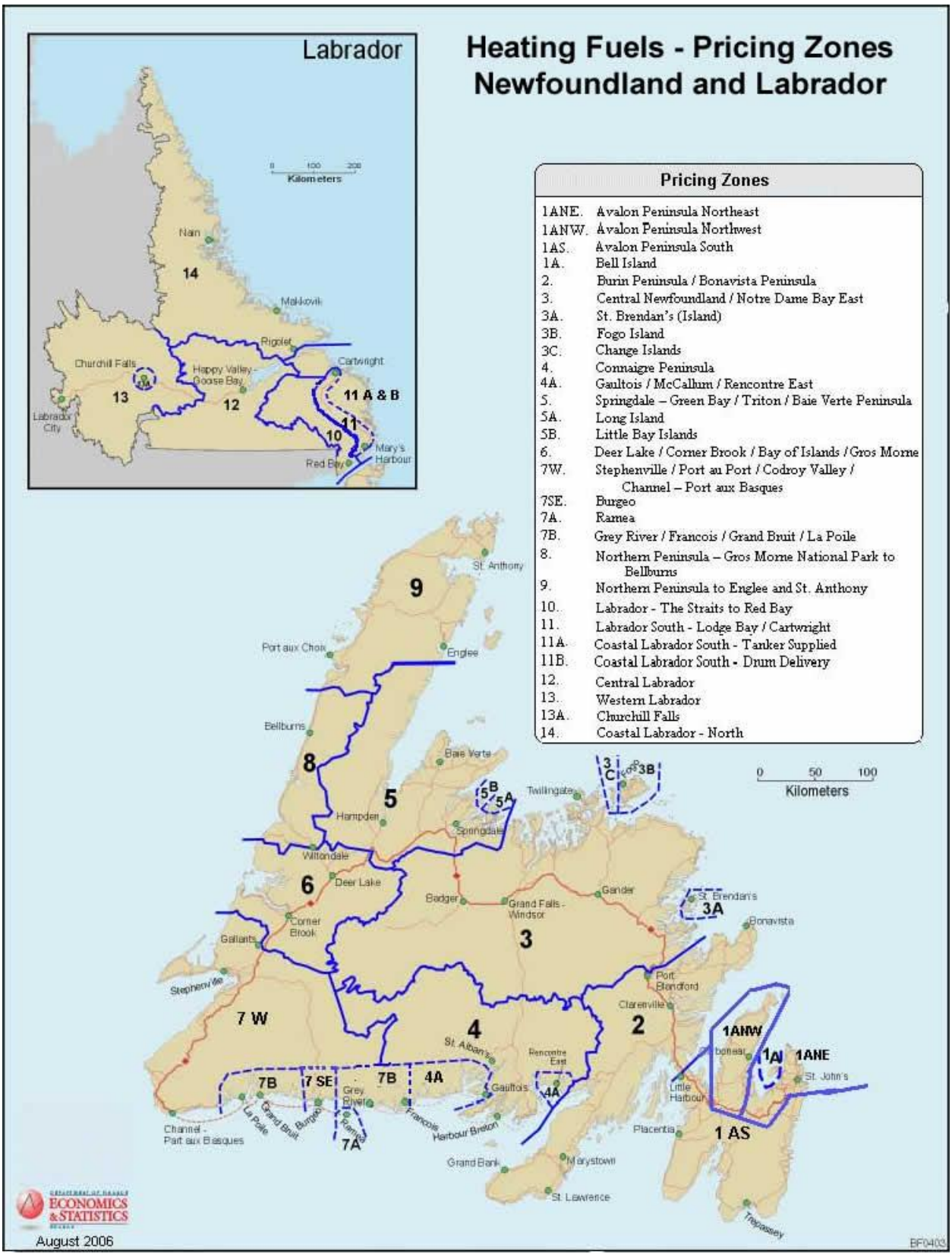
i) Additional information and commentary is required to address whether there are issues and options related to benchmark prices, including the stove oil heating fuel benchmark, and rack pricing in Labrador.

The extent and timing of any changes to the petroleum products pricing model for Labrador will depend, in large part, on the input received from stakeholders during this phase of the review. It

may be that at the end of this review there are some issues which require further assessment before decisions can be made. In any case the Board expects that there will be no changes to the pricing model, including the winter suspension of maximum price adjustments in Sub-zone 11a and Zone 14, until the conclusion of the review.

PRICING ZONES - MOTOR FUELS

PRICING ZONES - HEATING FUELS



BENCHMARK SOURCES

Benchmark Sources and Blending Methodology				
Product	**Reporting Data Source[1]**	**Product Price Assessment[2]**	**Blend Methodology**	
			Winter Blend[3]	**Spring Blend[4]**
Regular Gasoline[5]	Platts US MarketScan	New York Harbor UNL 87 (Cargo)	100% UNL 87 Year Round	
Diesel Motor Fuel (Island)	Platts US MarketScan	New York Harbor ULSD (Barge) New York Harbor ULSK (Barge)	25% ULSD 75% ULSK	100% ULSD
Diesel Motor Fuel (Labrador)	Platts US MarketScan	New York Harbor ULSK (Barge)[6]	100% ULSK Year Round	
Furnace Oil Heating Fuel	Platts US MarketScan	New York Harbor ULSD (Barge)[7] New York Harbor Jet (Barge)	25% ULSD 75% Jet	100% ULSD
Stove Oil Heating Fuel	Platts US MarketScan	New York Harbor ULSD (Barge)	100% ULSD Year Round	
Propane Heating Fuel	Oil Price Information Service	Sarnia Propane (Weekly Average)	Sarnia Propane Price Year Round	

[1] As designated in the *Regulations.*
[2] "UNL" refers to unleaded, "ULSD" refers to ultra low sulfur diesel and "ULSK" refers to ultra low sulfur kerosene.
[3] Implementation of the winter blend coincides with the first scheduled price adjustment in October each year.
[4] Implementation of the spring blend coincides with the first scheduled price adjustment in April each year.
[5] Pursuant to sections 2(a.1)(ii) and 14(2.1) of the *Regulations*, the benchmark price for mid-grade and premium gasoline is based on the UNL 87 benchmark price plus 3.0 cpl and 6.0 cpl, respectively.
[6] Prior to October 1, 2015 the diesel motor fuel benchmark price in Labrador was based on 75% ULSK and 25% ULSD.
[7] Prior to October 1, 2015 the furnace oil and stove oil heating fuels benchmark prices were based on No. 2 fuel rather than ULSD.

ALLOWED MARK-UPS

Summary of Wholesale, Retail and Total Allowed Mark-Ups (cpl)				
Product	**Applicable Zones**	**Wholesale Mark-Up**	**Retail Mark-Up**	**Total Allowed Mark-Up**
Regular Gasoline	Most Zones	10.65	10.28	20.93
	Zones 4a, 7b, 11a, 11b and 14	10.65	12.67[1]	23.32
Diesel	All Zones	10.07	14.03	24.10
Furnace Oil	Most Zones[2]	5.11	18.27	23.38
	Zones 4a and 7b	7.11	16.27	23.38
Stove Oil	Most Zones	8.11	20.28	28.39
	Zone 4a and 7b	11.61	16.78	28.39
	Zones 11a, 11b and 14	15.49	12.90	28.39
Propane[3]	All Zones			51.09

[1] For isolated Zones 4a, 7b, 11a, 11b and 14 an additional 2.3913 cpl isolated differential is included in the retail mark-up to ensure the viability of stakeholders in the regions.

[2] Island zones only as the Board does not establish maximum prices for furnace oil heating fuel in Labrador.

[3] The Board only establishes maximum retail prices for propane heating fuel, therefore only the total allowed mark-up for the product is provided.

CURRENT PRICING ZONE DIFFERENTIALS

Zone Differentials – Motor Fuels (cpl)			
Zone		**Gasoline**	**Diesel**
1	Avalon Peninsula	0.00*	0.00*
1a	Bell Island	0.48	0.48
2	Burin Peninsula / Bonavista Peninsula	1.61	1.61
3	Central Newfoundland / Notre Dame Bay East	2.18	2.18
3a	St. Brendan's (Island)	5.88	5.88
3b	Fogo Island	6.32	6.32
3c	Change Islands	9.60	9.60
4	Connaigre Peninsula	5.12	5.12
4a	Gaultois / McCallum / Rencontre East	8.09	8.09
5	Springdale - Green Bay / Triton / Baie Verte Peninsula	3.42	3.42
5a	Long Island	6.97	6.97
5b	Little Bay Islands	7.16	7.16
6	Deer Lake / Corner Brook / Bay of Islands / Gros Morne	0.62	0.62
7	Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo	1.39	1.39
7a	Ramea	10.79	3.68
7b	Grey River / François / Grand Bruit / La Poile	12.06	9.60
8	Northern Peninsula - Gros Morne National Park to Bellburns	1.55	1.55
9	Northern Peninsula to Englee and St. Anthony	3.28	3.28
10	Labrador - The Straits to Red Bay	7.20	5.59
11	Labrador South - Lodge Bay / Cartwright	14.55	13.33
11a	Coastal Labrador South - Tanker Supplied	19.81	18.31
11b	Coastal Labrador South - Drum Delivery	25.99	26.29
12	Central Labrador	3.23	2.98
13	Western Labrador	4.73	4.73
13a	Churchill Falls	6.91	6.91
14	Coastal Labrador North	19.81	18.31

*Base Zone

Zone Differentials – Heating Fuels (cpl)				
Zone		**Furnace Oil**	**Stove Oil**	**Propane**
1ANE	Avalon Peninsula Northeast	0.00*	0.00*	2.00
1ANW	Avalon Peninsula Northwest	3.00	3.00	2.00
1AS	Avalon Peninsula South	4.30	4.30	2.00
1a	Bell Island	1.30	1.30	3.00
2	Burin Peninsula / Bonavista Peninsula	4.30	4.30	0.00*
3	Central Newfoundland / Notre Dame Bay East	4.00	4.00	2.90
3a	St. Brendan's (Island)	7.00	7.00	5.00
3b	Fogo Island	6.50	6.50	4.50
3c	Change Islands	8.40	8.40	6.40
4	Connaigre Peninsula	7.20	7.20	3.70
4a	Gaultois / McCallum / Rencontre East	17.30	17.30	15.30
5	Springdale - Green Bay / Triton / Baie Verte Peninsula	4.50	4.50	3.50
5a	Long Island	5.00	5.00	3.00
5b	Little Bay Islands	5.40	5.40	3.40
6	Deer Lake / Corner Brook / Bay of Islands / Gros Morne	0.90	0.90	4.60
7W	Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques	4.30	4.30	5.90
7SE	Burgeo	6.80	6.80	5.90
7a	Ramea	10.40	10.40	8.40
7b	Grey River / François / Grand Bruit / La Poile	16.50	16.50	14.50
8	Northern Peninsula - Gros Morne National Park to Bellburns	1.90	1.90	5.70
9	Northern Peninsula to Englee and St. Anthony	6.50	6.50	7.70
10	Labrador - The Straits to Red Bay	N/A	8.50	6.50
11	Labrador South - Lodge Bay / Cartwright	N/A	17.20	15.20
11a	Coastal Labrador South - Tanker Supplied	N/A	25.40	23.40
11b	Coastal Labrador South - Drum Delivery	N/A	35.20	33.20
12	Central Labrador	N/A	3.20	1.20
13	Western Labrador	N/A	5.20	3.20
13a	Churchill Falls	N/A	7.30	5.30
14	Coastal Labrador North	N/A	25.40	23.40

*Base Zone

2005-2006 PRICING MODEL REVIEW

As part of the Board's 2005-2006 review a comprehensive storage and distribution study was completed which reviewed all supply chain and distribution networks in the Province. This study estimated the costs of moving regulated products from initial arrival by marine tanker through storage, handling and final delivery to the wholesale and retail points of sale. The study also looked at the existing pricing zone boundaries and differentials, and identified and reported on all storage facilities in Newfoundland and Labrador. The report "A Study of Storage and Distribution Costs for Petroleum Products throughout Newfoundland and Labrador" is available on the Board's website (French Study).

In August 2006 the Board made changes to the cost inputs used to set maximum prices based on the storage and distribution study. The Board determined that there should be adjustments to the allowed mark-up for gasoline and to the zone differentials for all products. In addition there were changes to the existing zone boundaries to reflect the fuel supply networks at the time. For motor fuels Zones 4a, 5, 6, 7 and 12 were renamed; Zone 10a became Zone 11; and Zone 11 was split into two Sub-zones: 11a and 11b. For heating fuels Zone 1 was split into Zones 1ANE, 1AS, and 1ANW; Zones 2, 3, 4a, 5, 6, 7b, 8, 10, 12 and 13 were renamed; Zone 7 was split into Zones 7W and 7SE; Zone 10a became Zone 11; and Zone 11 was split into two Sub-zones: 11a and 11b.

In November 2006 the petroleum products pricing review was concluded and the Board made a number of additional changes. The Board moved to the regular adjustment of maximum prices on a bi-weekly basis rather than a monthly basis. The Interruption Formula used to adjust for market volatility between scheduled pricing adjustments was maintained but the criteria and timing was changed.

LABRADOR PRICING ZONE DESCRIPTIONS

Pricing Zone	Description
10	Labrador – The Straits to Red Bay: Includes all communities from the Quebec-Labrador border west of L'Anse-au-Clair to Red Bay and all points on Route 510 therein.
11	Labrador South – Lodge Bay/Cartwright: Includes all communities from all points on the south Labrador coast connected by road from Lodge Bay to Cartwright.
11a	Coastal Labrador South – Tanker Supplied: Includes all communities along the coast of Labrador south of the Hamilton Inlet which are not connected to the new Labrador Coast Highway and are currently serviced via marine tanker.
11b	Coastal Labrador South – Drum Delivery: Includes all communities along the coast of Labrador south of the Hamilton Inlet which are not connected to the new Labrador Coast Highway and are not currently serviced by marine tanker.
12	Central Labrador: Central Labrador including the communities of Happy Valley-Goose Bay, Mud Lake and North West River.
13	Western Labrador: Western Labrador including the communities of Labrador City and Wabush.
13a	Churchill Falls.
14	Coastal Labrador North: Northern Labrador coastal communities including Rigolet and those north of the Hamilton Inlet to Nain which are currently serviced by marine tanker.

COST FACTORS IN THE CURRENT LABRADOR ZONE DIFFERENTIALS

Gasoline Motor Fuel Zone Differentials[1] (cpl)					
Zone	**Estimated Marine/Rail Freight Costs**	**Estimated Marine Terminal/Bulk Plant Operating Costs**	**Average Tank Wagon/Tractor Trailer Delivery Costs to Retail Outlets**	**Cost of Handling, Filling and Delivering Drums**	**Total Net Cost (Zone Differential)**
10	3.57	1.64	1.99	n/a	7.20
11	5.79	6.96	1.80	n/a	14.55
11a	5.79	14.78	(0.76)	n/a	19.81
11b	5.79	6.96	(0.76)	14.00	25.99
12	0.95	1.90	0.38	n/a	3.23
13	4.15	0.69	(0.11)	n/a	4.73
13a	4.15	0.69	2.07	n/a	6.91
14	5.79	14.78	(0.76)	n/a	19.81

[1] These cost factors are net of the similar cost factors in the base zone.

Diesel Motor Fuel Zone Differentials[2] (cpl)					
Zone	**Estimated Marine/Rail Freight Costs**	**Estimated Marine Terminal/Bulk Plant Operating Costs**	**Average Tank Wagon/Tractor Trailer Delivery Costs to Retail Outlets**	**Cost of Handling, Filling and Delivering Drums**	**Total Net Cost (Zone Differential)**
10	3.57	1.64	0.38	n/a	5.59
11	5.79	6.58	0.96	n/a	13.33
11a	5.79	13.28	(0.76)	n/a	18.31
11b	5.79	6.58	(0.76)	14.68	26.29
12	0.95	1.9	0.13	n/a	2.98
13	4.15	0.69	(0.11)	n/a	4.73
13a	4.15	0.69	2.07	n/a	6.91
14	5.79	13.28	(0.76)	n/a	18.31

Stove Oil Heating Fuel Zone Differentials[3] (cpl)					
Zone	**Estimated Marine/Rail Freight Costs**	**Estimated Marine Terminal/Bulk Plant Operating Costs**	**Average Tractor Trailer Delivery to Storage and Tank Wagon Delivery to Homes**	**Cost of Handling, Filling and Delivering Drums**	**Total Net Cost (Zone Differential)**
10	3.78	1.72	2.96	n/a	8.5
11	6.00	6.66	4.53	n/a	17.2
11a	6.00	13.36	(3.94)	10.0	25.4
11b	6.00	6.66	(3.94)	26.5	35.2
12	1.16	1.98	0.07	n/a	3.2
13	4.36	0.77	0.11	n/a	5.2
13a	4.36	0.77	2.19	n/a	7.3
14	6.00	13.36	(3.94)	10.0	25.4

[2] These cost factors are net of the similar cost factors in the base zone.
[3] These cost factors are net of the similar cost factors in the base zone.

LABRADOR RETAIL MAXIMUM PRICES
October 1, 2020

Maximum Retail Prices Motor Fuels October 1, 2020 (cpl)[1]							
Zone	Gasoline						Diesel
	Regular Unleaded (S/S)	Regular Unleaded (F/S)	Mid-Grade Unleaded (S/S)	Mid-Grade Unleaded (F/S)	Premium Unleaded (F/S)	Premium Unleaded (F/S)	(S/S or F/S)
10	119.1	122.1	122.1	125.1	125.1	128.1	113.6
11	127.6	130.6	130.6	133.6	133.6	136.6	122.5
11a	n/a	139.4	n/a	n/a	n/a	n/a	128.2
11b	n/a	146.5	n/a	n/a	n/a	n/a	137.4
12	114.6	117.6	117.6	120.6	120.6	123.6	110.6
13	116.3	119.3	119.3	122.3	122.3	125.3	112.6
13a	118.8	121.8	121.8	124.8	124.8	127.8	115.1
14	n/a	139.4	n/a	n/a	n/a	n/a	128.2

Maximum Retail Prices Heating Fuels October 1, 2020 (cpl)		
Zone	Stove Oil	Propane
10	76.67	78.2
11	85.37	86.9
11a	93.57[2]	95.1
11b	103.37	104.9
12	71.37	72.9
13	73.37	74.9
13a	75.47	77.0
14	93.57[3]	95.1

[1] "n/a" indicates the product is not available and the Board does not establish a maximum price for the product.
[2] Maximum price indicated for stove oil heating fuel is the maximum price at the tank farm (undelivered).
[3] Maximum price indicated for stove oil heating fuel is the maximum price at the tank farm (undelivered).

TIMING OF THE SUSPENSION OF MAXIMUM PRICE ADJUSTMENTS
Sub-zone 11a and Zone 14
2010-2020

Maximum Price Adjustment Suspension and Lift Dates (2010-2020)			
Year	**Zone**	**Implementation Date**	**Termination Date**
2010	11a	November 5, 2009	July 8, 2010
	14	November 5, 2009	July 15, 2010
2011	11a	November 4, 2010	June 9, 2011
	14	November 4, 2010	June 23, 2011
2012	11a & 14	November 3, 2011	June 21, 2012
2013	11a & 14	November 1, 2012	June 27, 2013
2014	11a & 14	November 7, 2013	June 26, 2014
2015	11a & 14	November 6, 2014	June 18, 2015
2016	11a & 14	November 5, 2015	July 7, 2016
2017	11a & 14	November 3, 2016	July 13, 2017
2018	11a & 14	November 2, 2017	July 5, 2018
2019	11a & 14	November 1, 2018	July 4, 2019
2020	11a & 14	November 7, 2019	June 11, 2020

SUMMARY OF COST CHANGE INFORMATION

Indicated Change to Storage and Distribution Costs (cpl)			
Type of Product	**Zone**	**Current Zone Differential**	**Approximate Change In Supply Costs[1]**
Gasoline Motor Fuel	10	7.20	7.0 - 8.0
	11	14.55	2.5 - 3.5
	11a	19.81	n/a
	11b	25.99	(1.0) - 0.0
	12	3.23	0.5 - 1.5
	13	4.73	3.0 - 4.0
	13a	6.91	n/a[2]
	14	19.81	4.5 - 5.5
Diesel Motor Fuel	10	5.59	8.5 - 9.5
	11	13.33	3.0 - 4.0
	11a	18.31	n/a
	11b	26.29	(1.0) - 0.0
	12	2.98	0.5 - 1.5
	13	4.73	3.0 - 4.0
	13a	6.91	n/a[3]
	14	18.31	6.0 - 7.0
Stove Oil Heating Fuel	10	8.50	8.0 - 9.0
	11	17.20	(1.5 - 2.5)
	11a	25.40	n/a
	11b	35.20	(12.0 - 13.0)
	12	3.20	(1.5 - 2.5)
	13	5.20	n/a[4]
	13a	7.30	n/a[5]
	14	25.40	(3.0 - 4.0)

[1] The approximate indicated change is based on the limited information which could be gathered in this review. In particular, information relates to sales over a relatively short period of time and the similar cost factors for the base zone have not been updated. Brackets reflect negative values.
[2] Insufficient information was provided.
[3] Insufficient information was provided.
[4] Insufficient information was provided.
[5] Insufficient information was provided.

MARINE TERMINAL DOCKING DATES

Marine Terminal Dockings				
Zone	**Terminal Location**	**Year**		
		2017	**2018**	**2019**
10	L'Anse-au-Loup	Late July Late November	Late July Mid-December	Early June Mid-August Early December Mid-December
11	Cartwright	Early June Early December	Early-June Mid-October	Mid-June Late October Mid-December
	Port Hope Simpson	Late June Early November Mid-December	Early June Mid-June Early October	Early-June Mid-November Mid-December
	St. Lewis	Mid-December	Late June Early December	Late October
12	Goose Bay	Early June Late June Late October Late November Early December	Mid-June Late June Late August[1] Mid-September Early October Mid-October Early November[2] Mid-November Late November	Mid-June Late June Mid-August[3] Mid-September Late September Early October[4] Late October[5] Mid-November[6] Late November Mid-December
14	Rigolet Makkovik Hopedale Postville Natuashish Nain	Late June Early July Late August Late November Early December Mid-December	Mid-June Late June Mid-October Early November Late November	Late June Early July Late October Early November Mid-November Late November

[1] Two dockings.
[2] Two dockings.
[3] Two dockings.
[4] Two dockings.
[5] Two dockings.
[6] Two dockings.

AVERAGE VARIANCE IN MAXIMUM PRICES
Winter Suspension vs No Winter Suspension

Variance Winter Suspension vs No Winter Suspension Zones 10, 11, 11b, and 12[1]			
Time Period	**Average Variance by Product[2] (cpl)**		
	Gasoline	**Diesel**	**Stove Oil**
2009-2010	1.0	(0.9)	(0.3)
2010-2011	(14.2)	(14.3)	(11.8)
2011-2012	(5.4)	(0.1)	(0.7)
2012-2013	(4.3)	1.2	3.0
2013-2014	(9.3)	(8.1)	(5.3)
2014-2015	8.5	9.2	12.0
2015-2016	3.5	11.0	8.3
2016-2017	(0.6)	(1.5)	(0.5)
2017-2018	(4.3)	(9.3)	(5.3)
2018-2019	6.5	10.6	10.6
2019-2020	16.3	20.3	16.0
OVERALL AVERAGE VARIANCE 2009-2020	**(0.2)**	**1.7**	**2.4**

[1] Analysis of data assumes all zones would have been subject to the actual suspension and lift dates for Sub-zone 11a.

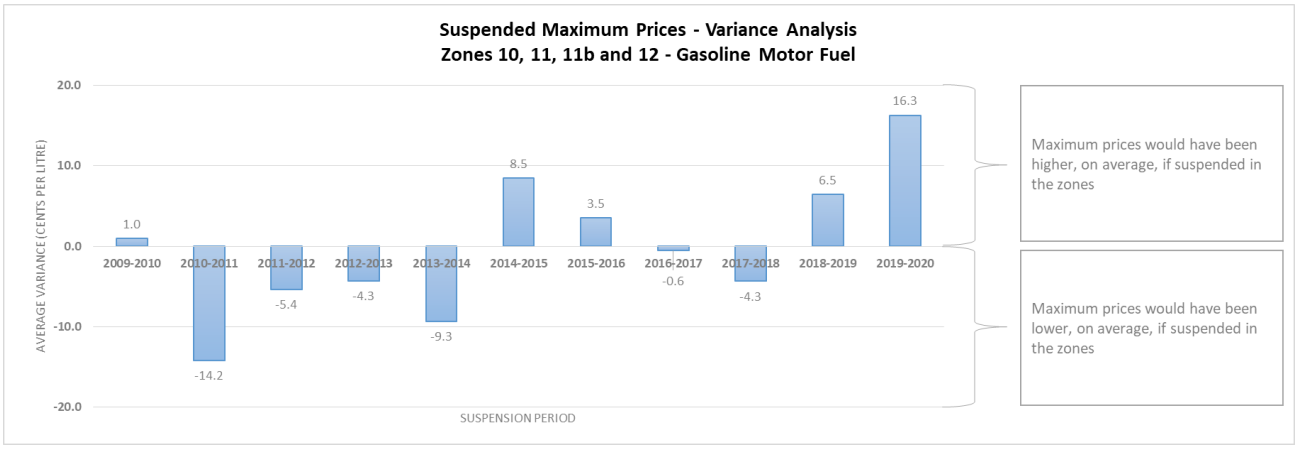
[2] Brackets reflect negative variances. Negative variances indicate that, on average over the time period, maximum prices would have been lower if there had been a suspension of price adjustments. Positive variances indicate that, on average over the time period, maximum prices would have been higher if there had been a suspension of price adjustments.

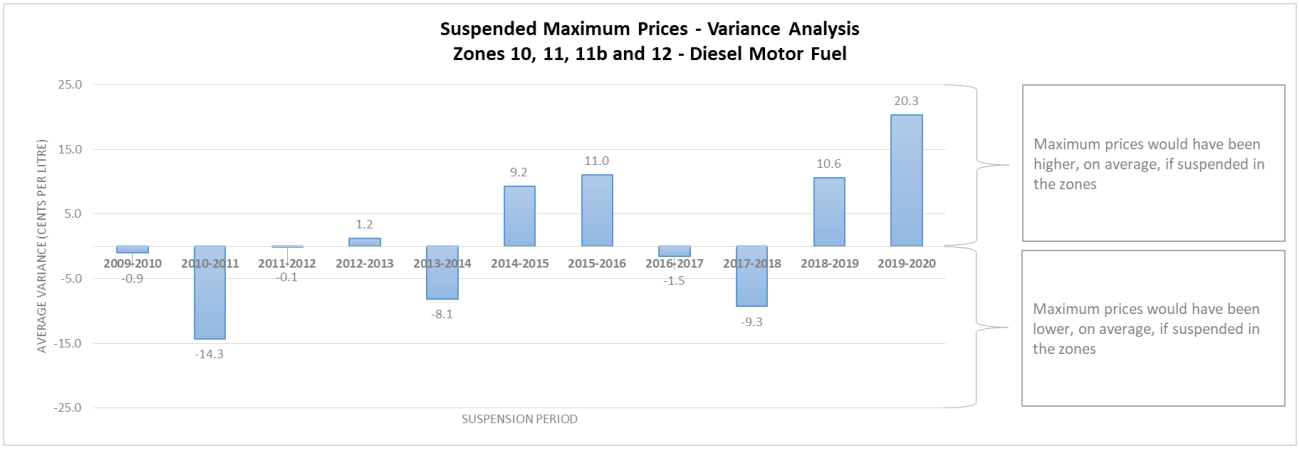
Variance Winter Suspension vs No Winter Suspension Zone 14			
Time Period	**Average Variance by Product[3] (cpl)**		
	Gasoline	**Diesel**	**Stove Oil**
2009–2010	1.1	(0.9)	(0.2)
2010–2011	(14.5)	(14.7)	(12.3)
2011–2012	(5.4)	(0.1)	(0.7)
2012–2013	(4.3)	1.2	3.0
2013–2014	(9.3)	(8.1)	(5.3)
2014–2015	8.5	9.2	12.0
2015–2016	3.5	11.0	8.3
2016–2017	(0.6)	(1.5)	(0.5)
2017–2018	(4.3)	(9.3)	(5.3)
2018–2019	6.5	10.6	10.6
2019–2020	16.3	20.3	16.0
OVERALL AVERAGE VARIANCE 2009-2020	**(0.3)**	**1.6**	**2.3**

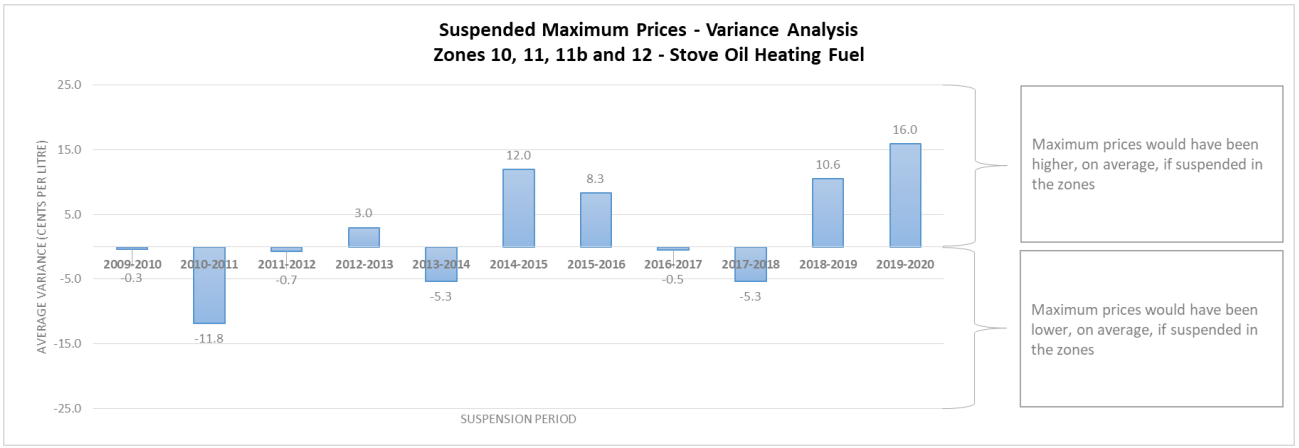
[3] Brackets reflect negative variances. Negative variances indicate that, on average over the time period, the suspended maximum prices were lower than if maximum prices were changing weekly. Positive variances indicate that, on average over the time period, suspended maximum prices were higher than if maximum prices were changing weekly.

ANNUAL AVERAGE VARIANCE IN MAXIMUM PRICES
Winter Suspension vs No Winter Suspension

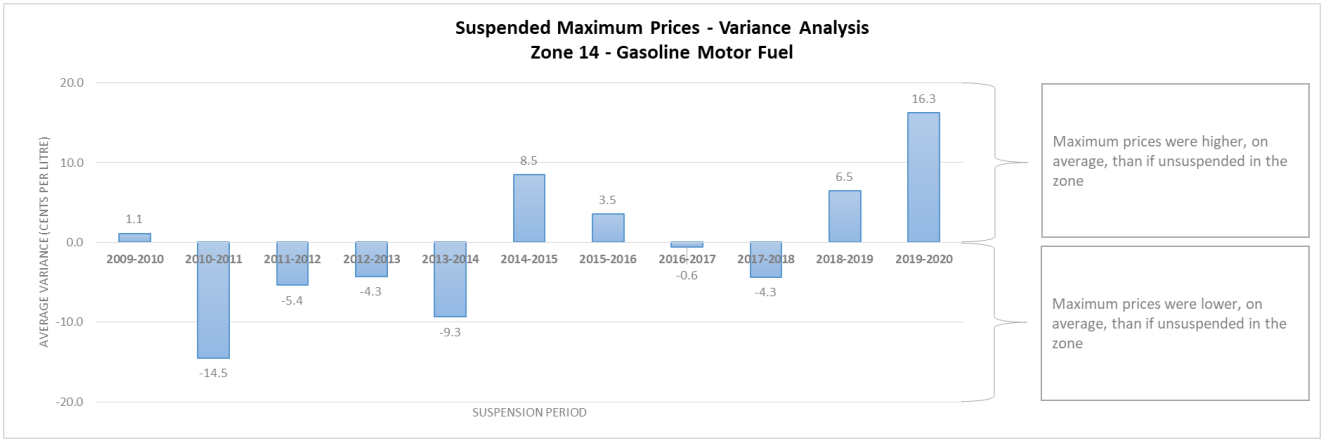
Zones 10, 11, 11b and 12

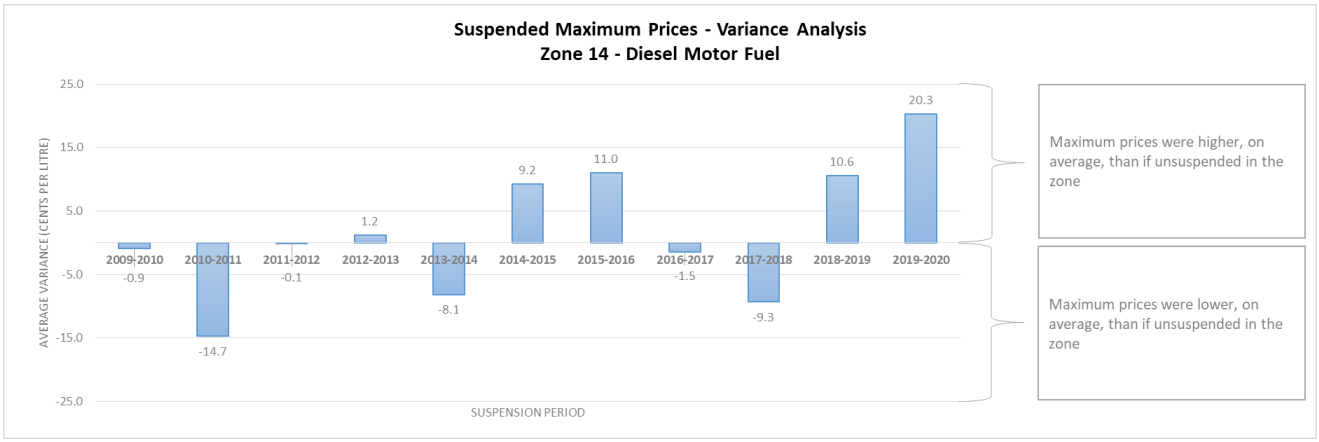


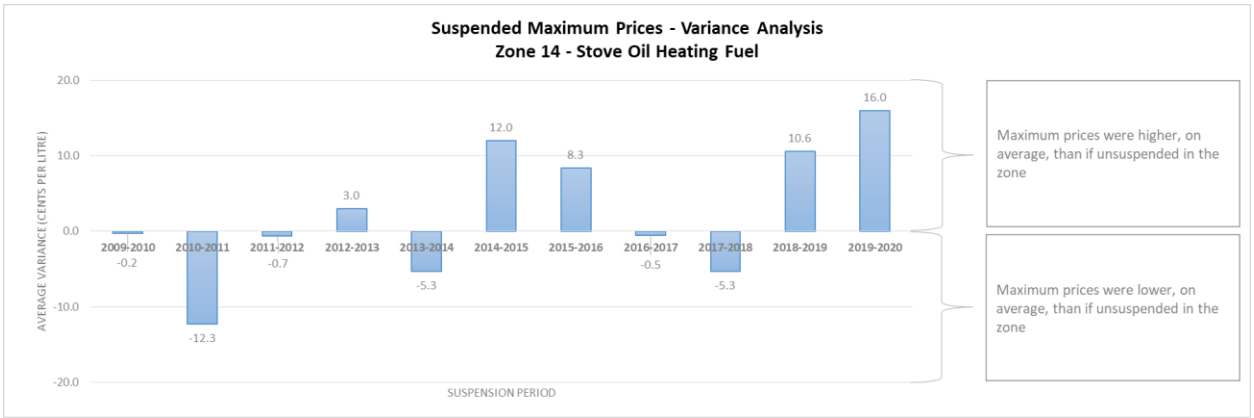




Zone 14


Suspended Maximum Prices - Variance Analysis
Zone 14 - Gasoline Motor Fuel
AVERAGE VARIANCE (CENTS PER LITRE)
20.0
10.0
0.0
-10.0
-20.0
2009-2010 1.1
2010-2011 -14.5
2011-2012 -5.4
2012-2013 -4.3
2013-2014 -9.3
2014-2015 8.5
2015-2016 3.5
2016-2017 -0.6
2017-2018 -4.3
2018-2019 6.5
2019-2020 16.3
SUSPENSION PERIOD
Maximum prices were higher, on average, than if unsuspended in the zone
Maximum prices were lower, on average, than if unsuspended in the zone


Suspended Maximum Prices - Variance Analysis
Zone 14 - Diesel Motor Fuel
AVERAGE VARIANCE (CENTS PER LITRE)
25.0
15.0
5.0
-5.0
-15.0
-25.0
2009-2010 -0.9
2010-2011 -14.7
2011-2012 -0.1
2012-2013 1.2
2013-2014 -8.1
2014-2015 9.2
2015-2016 11.0
2016-2017 -1.5
2017-2018 -9.3
2018-2019 10.6
2019-2020 20.3
SUSPENSION PERIOD
Maximum prices were higher, on average, than if unsuspended in the zone
Maximum prices were lower, on average, than if unsuspended in the zone


Suspended Maximum Prices - Variance Analysis
Zone 14 - Stove Oil Heating Fuel
AVERAGE VARIANCE (CENTS PER LITRE)
20.0
10.0
0.0
-10.0
-20.0
2009-2010 -0.2
2010-2011 -12.3
2011-2012 -0.7
2012-2013 3.0
2013-2014 -5.3
2014-2015 12.0
2015-2016 8.3
2016-2017 -0.5
2017-2018 -5.3
2018-2019 10.6
2019-2020 16.0
SUSPENSION PERIOD
Maximum prices were higher, on average, than if unsuspended in the zone
Maximum prices were lower, on average, than if unsuspended in the zone

AVERAGE VARIANCE IN MAXIMUM PRICES
Summer Suspension vs No Summer Suspension

Variance in Maximum Prices Summer Suspension vs No Summer Suspension Zones 10, 11, 11a, 11b, and 12[1]			
Time Period	**Average Variance by Product[2] (cpl)**		
	Gasoline	**Diesel**	**Stove Oil**
July 15, 2010 – October 28, 2010	(1.9)	(4.1)	(3.8)
June 16, 2011 – October 27, 2011	0.2	0.6	1.1
June 28, 2012 – October 25, 2012	(7.4)	(9.5)	(7.4)
July 4, 2013 – October 31, 2013	(3.3)	(5.0)	(4.7)
July 3, 2014 – October 30, 2014	8.1	7.2	7.0
June 25, 2015 – October 29, 2015	12.9	6.7	6.5
July 14, 2016 – October 27, 2016	(1.1)	2.2	1.2
July 20, 2017 – October 26, 2017	(5.6)	(8.1)	(6.3)
July 12, 2018 – October 25, 2018	3.8	(0.5)	0.0
July 11, 2019 – October 31, 2019	4.6	(0.2)	0.2
June 18, 2020 – October 1, 2020	(2.8)	(4.3)	(3.2)
OVERALL AVERAGE VARIANCE 2010-2020	**0.9**	**(1.2)**	**(0.7)**

[1] Analysis of data assumes all zones would have been subject to the actual suspension and lift dates for Sub-zone 11a.

[2] Brackets reflect negative variances. Negative variances indicate that, on average over the time period, maximum prices would have been lower if there had been a suspension of price adjustments. Positive variances indicate that, on average over the time period, maximum prices would have been higher if there had been a suspension of price adjustments.

Variance in Maximum Prices Summer Suspension vs No Summer Suspension Zone 14			
Time Period	**Average Variance by Product[3] (cpl)**		
	Gasoline	**Diesel**	**Stove Oil**
July 22, 2010 – October 28, 2010	(0.4)	(2.7)	(2.5)
June 30, 2011 – October 27, 2011	(2.1)	(1.4)	(0.8)
June 28, 2012 – October 25, 2012	(7.4)	(9.5)	(7.4)
July 4, 2013 – October 31, 2013	(3.3)	(5.0)	(4.7)
July 3, 2014 – October 30, 2014	8.1	7.2	7.0
June 25, 2015 – October 29, 2015	12.9	6.7	6.5
July 14, 2016 – October 27, 2016	(1.1)	2.2	1.2
July 20, 2017 – October 26, 2017	(5.6)	(8.1)	(6.3)
July 12, 2018 – October 25, 2018	3.8	(0.5)	0.0
July 11, 2019 – October 31, 2019	4.6	(0.2)	0.2
June 18, 2020 – October 1, 2020	(2.8)	(4.3)	(3.2)
OVERALL AVERAGE VARIANCE 2010-2020	**0.8**	**(1.3)**	**(0.8)**

[3] Brackets reflect negative variances. Negative variances indicate that, on average over the time period, maximum prices would have been lower if there had been a suspension of price adjustments. Positive variances indicate that, on average over the time period, maximum prices would have been higher if there had been a suspension of price adjustments.