



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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VIA E-MAIL

2005 07 25

TO ALL STAKEHOLDERS

Public Utilities Board seeks feedback on review of Petroleum Pricing Regulation

On May 18, 2004 the Government of Newfoundland and Labrador announced the integration of the former Petroleum Products Pricing Commission (the "PPPC") with the Public Utilities Board (the "Board"). With this integration the Board assumed responsibility and authority for the regulation of petroleum products pricing in the Province. Government announced at the time that regulatory restructuring was aimed at improving efficiency and reducing costs. Government also requested that the Board conduct an operational review of petroleum pricing regulation to ensure the concerns of all stakeholders are being addressed.

As a first step, the Board initiated a consolidation of the administrative and financial policies/practices of the former PPPC with those of the Board and to date has achieved substantial operating efficiencies and savings as this initiative continues. As a next step, the Board is now in a position to begin its operational review to address regulatory pricing and process issues that may be of concern to stakeholders. The matters which are the subject of this operational review are outlined for consideration of stakeholders in two separate documents attached.

The Board has received a final copy of the report "A Study of Storage and Distribution Costs for Petroleum Products throughout Newfoundland and Labrador" (the "Study"), which was commissioned by the former PPPC. This Study, completed by David M. French and Associates, examines the cost of the fuel distribution network throughout the Province, the relevance of existing pricing zone boundaries, and the associated price differentials for petroleum products within each zone. The Study is now being released publicly to provide an opportunity for all stakeholders to offer comment and feedback on the Study's recommendations. A copy of the Study's Executive Summary and the Study's Conclusions and Recommendations are attached. The complete Study can be viewed at www.pub.nl.ca.

In addition to consideration of the recommendations contained in the Study, the Board is interested in engaging all stakeholders in a general review of how it currently conducts its petroleum regulatory functions overall, and more specifically the methods used to set maximum prices for regulated petroleum products.

To assist stakeholders in offering comments or suggestions in this regard, the Board has prepared the attached Discussion Paper, which provides background on how initial regulated 'base prices' for each product were established in the Province and the methodology currently used to adjust them. The Discussion Paper also raises a number of other issues, which are directed for feedback and comment by industry participants, consumers and other interested parties.

Stakeholders are also encouraged to outline positions on any other issues (within the confines of existing legislation and the responsibilities of the Board) they feel may warrant consideration. The *Petroleum Products Act* and Regulations can be accessed on the Board's website at www.pub.nl.ca.

Comments, feedback and/or expressions of interest in the review should be received from stakeholders by Friday, August 26, 2005. You may send your comments and/or submissions in writing, by fax, via e-mail or web feedback to the contact information below:

Contact: Ms. G. Cheryl Blundon, Director of Corporate Services and Board Secretary

Office: Suite E210, Prince Charles Building, 120 Torbay Road, St. John's

By mail: P.O. Box 21040, St. John's, NL, A1A 5B2

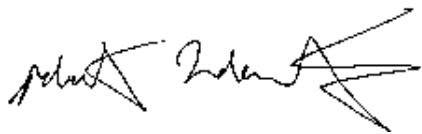
By facsimile: 709-726-9604

By e-mail: petroleum-pricing-review@pub.nl.ca

By website: www.pub.nl.ca

Once the Board has received comments and/or expressions of interest from stakeholders, the Board may schedule consultation sessions and public hearings where necessary. The Board will consider comment and feedback from all stakeholders as well as the results of any hearings or consultations before making decisions on recommendations contained in the Study or addressing issues raised in the Discussion Paper or by stakeholders arising from the review.

Yours truly,



Robert Noseworthy,
Chairperson and Chief Executive Officer