



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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

Email: SarahStoodley@gov.nl.ca

2022-09-07

The Honourable Sarah Stoodley
Minister, Digital Government and Service NL
Government of Newfoundland and Labrador
2nd Floor, Confederation Building, West Block
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Stoodley:

RE: Petroleum Products Pricing Review – Proposed Work Plan

This is in reply to your letter of June 7, 2022 in which you requested, pursuant to subsection 8.1(3) of the **Petroleum Products Act**, that the Board review the following matters:

- i. the suitability of the pricing mechanism for benchmark prices; and
- ii. the maximum markup between the wholesale price to the retailer and the retail price to the consumer for all regulated fuels (both of which comprise the total allowed markup).

You also directed the Board, pursuant to subsection 8.1(5) of the **Petroleum Products Act** to hold a hearing as part of this review to enable direct public input from residents throughout Newfoundland and Labrador into the review, through both in-person and written and electronic correspondence.

The proposed work plan attached sets out the activities to be completed as part of the Board's review as well as the associated timelines. This work plan was developed in consultation with Kalibrate Canada Inc. ("Kalibrate"), the consultant selected to assist the Board in its review. The work plan reflects Kalibrate's input as to the timelines required for its work as well as the Board's experience in the three previous major reviews of petroleum products pricing which all took approximately two years to complete.

It is noted that the schedule is largely driven by the time required by Kalibrate to complete its data collection, analysis and reports. To allow completion of some parts of the review while this work is ongoing, the work plan has been broken down into three phases, with the first reports and opportunity for public input scheduled for this fall.

Darlene Whalen, P. Eng., FEC, Chair & CEO

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As a part of its review the Board will provide several opportunities for consumer and industry participation and input, in writing as well as in-person. The information which is gathered during the review will be posted on the Petroleum Products Pricing Review page which will be created on the Board's website. Based on experience in previous reviews, it is expected that much of this information will be provided on a confidential basis and therefore will be presented in aggregate format.

We are available to you and/or your department officials to provide additional information or clarification on the proposed work plan prior to its finalization.

Sincerely,



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

Cc: Sean Dutton, Deputy Minister, Digital Government and Service NL, Email: sdutton@gov.nl.ca

**Newfoundland and Labrador Public Utilities Board
2022 Petroleum Products Pricing Review – Proposed Work Plan**

PHASE I – PRELIMINARY/BACKGROUND WORK						
Review Component		Responsibility	Actions and Deliverables	Status	Start Date	Completion Date
I-1	Kalibrate Background Report	Kalibrate Canada Inc.	<ul style="list-style-type: none"> • Kalibrate background report completed and released. • Kalibrate will review the petroleum products refining markets and factors influencing prices. • Kalibrate will complete a jurisdictional scan of Canadian markets and pricing. 	In Progress	August 2022	Mid-October 2022
I-2	Board Discussion Document	Board	<ul style="list-style-type: none"> • Board Discussion Document released. This document will set out background information and issues. 	In Progress	September 2022	Mid-November 2022
I-3	Stakeholder Input Process	Board	<ul style="list-style-type: none"> • The Board will issue notice of the review and invite participation in Phase I. Stakeholders will be invited to provide written comments on which issues should be addressed in the review. 	Pending	Mid-November 2022	Mid-December 2022
I-4	Issues List	Board	<ul style="list-style-type: none"> • List of Issues released. The Board will identify the issues to be considered in the review. 	Pending	Mid-December 2022	Mid-January 2023

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PHASE II - SUPPLY DYNAMICS, BENCHMARKING AND WHOLESAL MARK-UPS (ALL REGULATED PRODUCTS)						
Review Component		Responsibility	Actions/Deliverables	Status	Start Date	Completion Date
II-1	Kalibrate Report on the Benchmark Pricing Mechanism and Wholesale Mark-ups/Zone Differentials	Kalibrate Canada Inc.	<ul style="list-style-type: none"> • Kalibrate report on the benchmark pricing mechanism and wholesale mark-ups/zone differentials completed and released. • Kalibrate will review i) the current supply dynamics and changes since the last full storage and distribution study; ii) the benchmark pricing mechanism, including the data sources, the calculation, blending, adjustment frequency, and extraordinary price adjustments; iii) the geographic pricing zones; iv) the wholesale mark-ups/zone differentials; and v) the method for updating wholesale mark-ups/zone differentials. 	In Progress	August 2022	April 2023
II-2	Stakeholder Input Process	Board	<ul style="list-style-type: none"> • The Board will issue notice and an invitation to participate in Phase II. • A process will be established to receive input from stakeholders in writing and in-person. 	Pending	May 2023	Mid-July 2023

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PHASE II - SUPPLY DYNAMICS, BENCHMARKING AND WHOLESAL MARK-UPS (ALL REGULATED PRODUCTS)						
Review Component		Responsibility	Actions/Deliverables	Status	Start Date	Completion Date
II-3	Changes to the Benchmark Pricing Mechanism and Wholesale Mark-ups/Zone Differentials	Board	<ul style="list-style-type: none"> The Board may implement changes to the benchmark pricing mechanism and the wholesale mark-ups/zone differentials. The Board will consider the information filed and determine whether there are changes within its jurisdiction which should be implemented. 	Pending	Mid-July 2023	October 2023
II-4	Board Report on the Benchmark Pricing Mechanism and Wholesale Mark-ups/Zone Differentials	Board	<ul style="list-style-type: none"> The Board’s report on the benchmark pricing mechanism and wholesale mark-ups/zone differentials will be completed. 	Pending	Mid-July 2023	October 2023

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PHASE III - REVIEW OF RETAIL MARK-UPS (ALL REGULATED PRODUCTS)						
Review Component		Responsibility	Actions/Deliverables	Status	Start Date	Completion Date
III-1	Kalibrate Report on Retail Mark-ups	Kalibrate Canada Inc.	<ul style="list-style-type: none"> • Kalibrate report on the retail mark-ups to be completed and released. • Kalibrate will review the retail mark-ups for all zones in the Province, including the timing and process for the changes to the mark-ups. 	In Progress	August 2022	August 2023
III-2	Stakeholder Input Process	Board	<ul style="list-style-type: none"> • The Board will issue notice and an invitation to participate in Phase III. • A process will be established to receive input from stakeholders in writing and in-person. 	Pending	September 2023	Mid-November 2023
III-3	Changes to the Retail Mark-ups	Board	<ul style="list-style-type: none"> • The Board may implement changes to the retail mark-ups. The Board will consider the information filed and determine whether there are changes within its jurisdiction which should be implemented. 	Pending	Mid-November 2023	February 2024
III-4	Board Report on Retail Mark-ups	Board	<ul style="list-style-type: none"> • The Board's report on retail mark-ups will be completed. 	Pending	Mid-November 2023	February 2024