

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

AN ORDER OF THE BOARD

NO. P.P. 17(2020)

1 **IN THE MATTER OF** the *Petroleum*
2 *Products Act*, SNL 2001, Chapter P-10.1
3 (the “*Act*”), and regulations thereunder;
4 and
5

6 **IN THE MATTER OF** the setting of
7 maximum wholesale prices to be charged
8 for gasoline, diesel and stove oil in Zones
9 10, 11, 11b and 12.
10

11
12 **WHEREAS** on March 13, 2020 Woodward’s Oil Limited (“Woodward’s”) wrote the Board
13 setting out concerns related to fuel price decreases in Zones 10 (Labrador - The Straits to Red
14 Bay), Zone 11 (Labrador South - Lodge Bay/Cartwright) and Zone 12 (Central Labrador); and
15

16 **WHEREAS** Woodward’s explained that the recent drops in fuel prices had caused Woodward’s
17 to incur massive losses and that, while it could absorb these losses in the short-term, it may be
18 forced to reconsider if the situation remained in the long-term; and
19

20 **WHEREAS** on March 25, 2020 Woodward’s wrote the Board asking that wholesale prices in
21 Zones 10, 11 and 12 be frozen to reflect the prices which were in place when the product was
22 delivered in the fall of 2019; and
23

24 **WHEREAS** Woodward’s explained that it purchases supply in the fall and 100 percent of the
25 risk of market fluctuations in price rests on Woodward’s and that the losses on the wholesale
26 price of regular unleaded gasoline and diesel cannot continue; and
27

28 **WHEREAS** the Board wrote Woodward’s on March 26, 2020 to advise that the implementation
29 of a price freeze in Labrador would require further review but set out that an application for a
30 price adjustment pursuant to section 8 of the *Act* may be filed; and
31

32 **WHEREAS** on March 30, 2020 Woodward’s filed an application with supporting
33 documentation for an adjustment to the current regulated wholesale and retail price for gasoline,
34 diesel and stove oil fuels in Zones 11 and 12 (“Woodward’s Application”); and

1 **WHEREAS** Woodward’s Application requested that the maximum wholesale and retail prices
2 in Zones 11 and 12 be adjusted to reflect the prevailing established maximum price established
3 by the Board effective November 22, 2019 and that the new prices remain in effect for all
4 products until the volumes are replenished in late May or early June; and

5
6 **WHEREAS** Woodward’s Application stated that Woodward’s supplies the vast majority of
7 petroleum products for consumers, both wholesale and retail, throughout Zones 11 and 12 and
8 virtually all of this product is delivered by marine tanker on two or three occasions during the
9 late spring through late fall shipping season; and

10
11 **WHEREAS** Woodward’s Application stated that the only economically viable means of
12 delivery of bulk petroleum products for Zones 11 and 12 is by marine tanker; and

13
14 **WHEREAS** Woodward’s Application stated that Woodward’s accepts delivery into storage of
15 all its winter seasonal supply for Zones 11 and 12 sometime in November to December each year
16 based on purchase contracts executed in November or December with the acquisition cost based
17 on prevailing market conditions for that timeframe; and

18
19 **WHEREAS** Woodward’s Application stated that the existing product arrived in various shore
20 tanks in the November and December 2019 timeframe and specifically regular unleaded gasoline
21 was marine loaded on November 11, 2019 and ultralow sulfur diesel was loaded on November
22 11, 2019 and also on December 10-12, 2019; and

23
24 **WHEREAS** Woodward’s Application stated that, as a result of the crash of the world price of
25 oil, the current maximum prices for petroleum products in Zones 11 and 12 bear no relationship
26 to the acquisition cost and that “Woodward is now in the untenable position of facing the choice
27 of selling its inventories at unsustainable losses or stop selling until prices recover”; and

28
29 **WHEREAS** on March 31, 2020 the Board received a request from Harnois Energies for a price
30 adjustment to the wholesale and retail price of heating fuel, diesel and regular unleaded gasoline
31 in Zones 10 and 11 to reflect the price established by the Board effective November 22, 2019 on
32 the basis that Harnois Energies accepts delivery of all its winter seasonal supply for Zones 10
33 and 11 in November to December each year and volumes are replenished in late May or early
34 June; and

35
36 **WHEREAS** while Harnois Energies stated that it currently supplies petroleum products for
37 consumers, both wholesale and retail, in Zones 10 and 11 the Board is not satisfied, based on the
38 information provided, that Harnois Energies is a wholesaler within the meaning of the *Act* and
39 for the purposes of section 8; and

40
41 **WHEREAS** on April 2, 2020 William Normore Limited wrote the Board to advise that it agreed
42 with the market and supply conditions set out in Woodward’s Application and that it has
43 experienced a very similar situation in Zone 11 for the same time period and that it has been
44 advised that its supplier in Zone 10, Harnois Energies, is facing the same challenges; and

1 **WHEREAS** William Normore Limited asked that Zones 10, 11 and 12 be treated proportionally
2 in any change that is implemented as they are in the same situation; and
3

4 **WHEREAS** on April 2, 2020 William Normore Limited provided pricing and volumetric
5 information in relation to its supplies in Zones 10 and 11, stating that the bulk of its sales of
6 regulated products do not contain a substantial margin to offset the average cost per litre to
7 operate and profitability is shrinking and further that wholesale diesel pricing has always been a
8 losing proposition but that, since the start of 2020, it is costing too much to continue the sale of
9 the product and that wholesale stove oil pricing is similar in Zone 11; and
10

11 **WHEREAS** on April 7, 2020 William Normore Limited confirmed that it is requesting a price
12 adjustment pursuant to section 8 of the *Act* with respect to the maximum wholesale mark-up for
13 William Normore Limited for gasoline, diesel and stove oil in Zones 10 and 11; and
14

15 **WHEREAS** on April 8, 2020 the Board sent notice of the applications for an increase to the
16 allowed maximum wholesale prices for gasoline, diesel and stove oil in Zones 10, 11 and 12 to
17 other wholesalers in these zones; and
18

19 **WHEREAS** based on the information provided it is clear that gasoline, diesel and stove oil was
20 supplied to Zones 10, 11 and 12 for the winter in the fall of 2019 and will not be resupplied until
21 the shipping season resumes in the late spring; and
22

23 **WHEREAS** in recent weeks the allowed maximum prices for regulated petroleum products have
24 dropped significantly as a result of the Board's weekly pricing adjustments and an extraordinary
25 pricing adjustment on March 14, 2020 such that the current allowed maximum wholesale prices
26 do not provide for reasonable recovery of the costs of the product in Zones 10, 11 and 12; and
27

28 **WHEREAS** suppliers have expressed concern as to whether they can continue to supply
29 gasoline, diesel and stove oil in Zones 10, 11 and 12 given the significant losses which are being
30 incurred; and
31

32 **WHEREAS** the wholesalers have requested that a new maximum wholesale price be established
33 based on the prices that were in effect in November of 2019 which, if approved, would result in
34 an increase in the maximum prices of approximately 39.1 cpl for gasoline, 42.7 cpl for diesel and
35 28.5 cpl for stove oil in all three zones; and
36

37 **WHEREAS** the Board is satisfied that it is appropriate to adjust the allowed maximum
38 wholesale prices in Zones 10, 11 and 12, including subzone 11b (Coastal Labrador South - Drum
39 Delivery) to offset the impact of the recent extraordinary decreases in maximum prices, to reduce
40 the significant divergence between the cost of the product and the allowed maximum wholesale
41 price, and to address concerns in relation to supply, but is not satisfied that it is appropriate to
42 approve a request made in March 2020 to establish new maximum prices based on the maximum
43 prices in place in the fall of 2019; and

1 **WHEREAS** the Board is satisfied, based on the cost and supply information provided and
2 pursuant to section 8 of the *Act*, that there should be an adjustment to the wholesale mark-up for
3 gasoline, diesel and stove oil in Zones 10, 11, 11b and 12 to increase the allowed maximum price
4 of gasoline and diesel by 30 cpl and of stove oil by 20 cpl in these zones, effective 12:01 a.m.
5 April 16, 2020 and that these maximum prices should remain in place until resupply to these
6 zones and a further order of the Board.

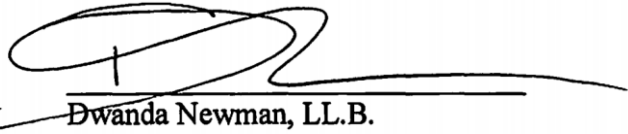
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8 **IT IS THEREFORE ORDERED THAT:**
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- 10 1. The maximum wholesale price that can be charged for gasoline, diesel and stove oil in Zone
11 10 (Labrador - The Straits to Red Bay), Zone 11 (Labrador South - Lodge Bay/Cartwright),
12 Zone 11b (Coastal Labrador South - Drum Delivery) and Zone 12 (Central Labrador) shall be
13 as set out in Schedule "A" attached to this Order, effective 12:01 a.m. April 16, 2020, until
14 further order of the Board.

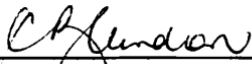
DATED at St. John's, Newfoundland and Labrador, this 15th day of April, 2020.



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



Dwanda Newman, LL.B.
Vice-Chair



Cheryl Blundon
Board Secretary

Schedule "A"
 Order No. P.P. 17(2020)
 Effective: April 16, 2020

**Maximum Wholesale Motor and Heating Fuel Prices (cpl)
 Zones 10, 11, 11b and 12**

Zone	Zone Description	Maximum Wholesale Prices				
		Regular Unleaded Gasoline	Mid-Grade Unleaded Gasoline	Premium Unleaded Gasoline	Diesel	Stove Oil
10	Labrador - The Straits to Red Bay	111.65	113.50	115.35	116.66	75.42
11	Labrador South - Lodge Bay / Cartwright	120.11	121.96	123.81	125.56	84.12
11b	Coastal Labrador South - Drum Delivery	133.26	N/A	N/A	140.46	109.50
12	Central Labrador	107.09	108.94	110.79	113.65	70.12