



NEW BRUNSWICK
ENERGY & UTILITIES BOARD

COMMISSION DE L'ÉNERGIE ET DES SERVICES PUBLICS
NOUVEAU-BRUNSWICK

DECISION

IN THE MATTER OF a review of
maximum wholesale margins for motor
fuel and furnace oil.

(Matter No. PT-002-2025)

September 26, 2025

Matter PT-002-2025 – Wholesale Margin Review

IN THE MATTER OF a review of maximum wholesale margins for motor fuel and furnace oil.

ORAL HEARING: September 8, 2025

NEW BRUNSWICK ENERGY AND UTILITIES BOARD:

Chairperson	Christopher J. Stewart
Member	Heather Black
Member	Michael Pickup

PARTICIPANTS:

Canadian Fuels Association	Carol Montreuil
Canadian Energy Marketers Association and Convenience Industry Council of Canada	David Knight
Clark Oil Co. (2010) Ltd.	Peter Clark
Irving Oil Limited	James MacDuff
Scholten Group	Jerry Scholten
PUBLIC INTERVENER:	J.M. Alain Chiasson
BOARD STAFF:	Mara Mallory

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1 Introduction and Summary Conclusions

- [1] The Board regulates the maximum wholesale margins for motor fuels and furnace oil. The maximum wholesale margin is one component of the formula established under the *Petroleum Products Pricing Act* (the “*Act*”) for setting the maximum prices of regulated petroleum products in New Brunswick.
- [2] On its own motion, the Board initiated a review of whether the maximum wholesale margins for motor fuel and furnace oil last set by the Board effective March 7, 2013, should be adjusted.
- [3] For the reasons below, the Board approves maximum wholesale margin increases of:
- i. 3.0 cents per litre for gasoline
 - ii. 5.0 cents per litre for diesel fuel
 - iii. 2.9 cents per litre for furnace oil

2 Overview

- [4] The Board is responsible for setting maximum prices for motor fuel and heating fuel using the formula set out in the *General Regulation – Petroleum Products Pricing Act* (the “*Regulation*”). This decision is focused on one of the components of the price formula: the maximum wholesale margin.
- [5] The maximum wholesale margin is 6.51 cents per litre (“cpl”) for each type of motor fuel and 5.50 cpl for furnace oil.
- [6] The *Act* requires the Board to ensure that any adjustments to wholesale margins are justified and that consumers should benefit from the lowest price possible without jeopardizing the continuity of supply of petroleum products.
- [7] To determine whether an adjustment to the maximum wholesale margin is justified, the *Regulation* requires the Board to consider the following:
- a. changes to the costs of transporting heating fuel or motor fuel from New York Harbor or, in the case of propane, from Sarnia to the province;
 - b. changes to volume of sales;
 - c. changes to storage costs;

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- d. changes to inventory turnover rates;
- e. changes to applicable levies and insurance costs; and
- f. any other factors that the Board considers relevant.

- [8] The Board engaged Signal Energy Consulting to assist in this review by analyzing the factors affecting maximum wholesale margins for motor fuel and furnace oil. Signal filed its final report with the Board on June 13, 2025 (the “Signal Report”).
- [9] The Public Intervener filed a report prepared by Doane Grant Thornton, which considered maximum wholesale margins for motor fuels and furnace oil (the “DGT Report”).
- [10] Expert witnesses at the hearing were Jason Parent, President of Signal Energy Consulting and the author of the Signal Report, and Angie Brown, a partner with Doane Grant Thornton and the primary author of the DGT Report. Mr. Parent was declared an expert in the areas of petroleum markets, economics, and product pricing. Ms. Brown was declared an expert in the review of pricing of regulated petroleum products.
- [11] The Canadian Energy Marketers Association, the Canadian Fuels Association, the Convenience Industry Council of Canada, Clark Oil Co. (2010) Ltd., Irving Oil Limited and the Scholten Group actively participated in the hearing and made final submissions.

3 Issues

- [12] Based on the evidence of changes to wholesalers’ costs and volumes, are adjustments to the wholesale margins for motor fuel or furnace oil justified since they were last set by the Board effective March 7, 2013?

4 Changes to wholesalers’ costs and volumes

- [13] Signal asked twenty-nine wholesalers to supply the following data for each year from 2011 to 2024, inclusive:
- a. sales volumes by year and separated by product type;
 - b. acquisition costs (or rack discount) by product type and by year;
 - c. detailed costs associated with the wholesaling of regulated products in New Brunswick by year and broken down into components that would allow the consultant to categorize costs as storage and inventory, capital, applicable levies and insurance, and other operating and maintenance costs;

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- d. if applicable, a detailed breakout of costs related to compliance with the federal *Clean Fuel Regulations* and/or other carbon pricing; and
- e. any other relevant information regarding the wholesale of regulated fuels in New Brunswick between 2011 and 2024.

- [14] Eleven wholesalers provided data to Signal for at least part of the evaluation period. The responding wholesalers constitute what Signal considers to be a broadly representative mix of wholesale market participants accounting for most of the volume sold in New Brunswick. The Signal Report characterizes the sample as strongly representative.
- [15] Signal used this data to analyze wholesaling cost changes and changes in the cost of acquiring petroleum products relative to benchmark prices, which Signal considers to be the primary factors in evaluating the need for a margin adjustment. Both analyses examine changes since 2011, the most recent year for which wholesaler cost data was considered by the Board.
- [16] Based on the Signal Report and for the reasons in Sections 4 and 5 of this Decision, the Board finds that, since the wholesale margin was last set:
- i. the costs of wholesaling motor fuel and furnace oil have increased by 2.93 cpl; and
 - ii. the costs of acquiring motor fuel relative to the benchmark price have increased by 0.1 cpl for gasoline and 2.1 cpl for diesel fuel. The Board does not have sufficient evidentiary basis to support a finding related to the cost of acquiring furnace oil.

4.1 Wholesaling costs increased 2.93 cpl for motor fuel and furnace oil

- [17] Nine wholesalers provided wholesaling cost data for at least part of the evaluation period, concentrated in the later years. Mr. Parent expressed confidence that the responding wholesalers represent “well over half” of all wholesale volume sold in New Brunswick.
- [18] The Board is satisfied that the wholesalers who provided data are representative of the New Brunswick marketplace. However, because the data was incomplete and Signal relied on assumptions that depart from the Board’s typical methodology, the Board must consider whether the data reasonably represents the kind of wholesaling costs incurred by wholesalers in New Brunswick and whether the result reasonably represents the changes in those costs over the evaluation period.
- [19] The aim of Signal’s wholesaling cost analysis is to assess how costs associated with fuel wholesaling in New Brunswick have changed since 2011. After removing out-of-scope

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and inconsistently presented costs from each wholesaler's data, Signal calculated a consolidated per litre cost for every year for which the wholesaler provided data. Because most wholesalers did not provide data for every year of the evaluation period, Signal calculated the average annual cost change based on the earliest year of data then extrapolated the result to estimate the change in costs over the entire evaluation period. The analysis shows a volume-weighted average cost increase of 2.93 cpl between 2011 and 2024.

[20] While DGT did not have access to the wholesaler data, Ms. Brown reviewed the Signal Report and responses to interrogatories and found no basis to contradict Signal's analysis or conclusions.

[21] Signal's approach is consistent with the methodology the Board typically follows for margin reviews as far as it involves comparing cost and volume changes between two representative years to determine whether a margin adjustment is justified. However, cost data is not typically presented to the Board as a single consolidated value, and the Board has not considered estimated or extrapolated costs in the past.

[22] The Board is satisfied that the consolidated cost data presented in the Signal Report reasonably represents the kinds of costs incurred by wholesalers of motor fuel and furnace oil and that Signal did not exclude relevant data from its analysis. While the data provided to Signal was broken down by cost category, variations in wholesalers' treatment of cost categories required Signal to consolidate the data for analysis and presentation. Mr. Parent's responses to interrogatories demonstrate that the data captures the kinds of costs interveners wanted to ensure were included, specifically capital expenditures for regulatory compliance, financing costs, depreciation and amortization, and working capital requirements.

[23] The Board also concludes that Signal's extrapolation approach is reasonable because the evidence supports its underlying assumption that wholesaling costs have changed at a consistent rate over the evaluation period. Mr. Parent explains in the Signal Report that his decision to use this approach was based on his finding that the movement of each wholesaler's per litre costs tended to "trend relatively consistently" over the evaluation period. Moreover, the extrapolated results for each wholesaler's change in costs per litre fall within a narrow range despite not being based on data for the same period, indicating some consistency in annual cost changes between wholesalers.

[24] Mr. MacDuff, counsel for Irving Oil Limited, challenged Signal's assumption that the wholesaling costs have changed at a consistent rate over the evaluation period. He relied on evidence on the record showing a 2.87 cpl change in costs between 2017 and 2024

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based only on wholesaler data compared to Signal's estimated 2.93 cpl change in costs for the entire evaluation period.

- [25] The Board concludes that this evidence does not impugn the reasonableness of Signal's analysis because it does not indicate that Signal underestimated cost changes over the evaluation period. The Board accepts Mr. Parent's recommendation against comparing the two values because of differences in the sample and volume-weighting.
- [26] Therefore, the Board concludes that the consolidated and extrapolated results of Signal's analysis reasonably represent the changes in costs of wholesaling motor fuel and furnace oil in New Brunswick over the evaluation period.

4.2 Relative acquisition cost is a relevant consideration for the Board

- [27] The Signal Report examines the differential between acquisition costs and regulated benchmark prices which, in Mr. Parent's view, can have a material impact on realized margins for market participants.
- [28] Benchmark prices are the foundational component of regulated petroleum prices under the *Act* and, for motor fuel and furnace oil, are calculated based on published New York Harbor market prices.
- [29] Wholesalers typically purchase product from a primary supplier at a contracted discount or premium to a locally posted wholesale price, known as a rack price. Rack prices in New Brunswick are a function of New York Harbor market prices but are also influenced by local factors that do not influence New York Harbor market prices, including structural differences, regional market dynamics and the impact of applicable regulations.
- [30] Rising acquisition costs relative to the benchmark price may lower the margin available to wholesalers because their ability to pass higher acquisition costs through the supply chain is constrained by the maximum price, which is fixed to the benchmark price. In Mr. Parent's opinion, it would be fair to relieve that constraint by adjusting the wholesale margin to allow market participants to recover acquisition costs not accounted for elsewhere in the formula.
- [31] Based on the Signal Report's examination of the impact on wholesalers arising from the rack-to-benchmark differential, the Board concludes that the difference between wholesalers' acquisition costs and benchmark prices is relevant to its consideration of cost changes not accounted for elsewhere in the price formula.

4.3 Acquisition costs should be adjusted to exclude the cost of carbon

- [32] Mr. Parent demonstrates in the Signal Report that the cost of carbon is a significant cause of recent increases in the rack-to-benchmark differential. For the purposes of his acquisition costs analysis, Mr. Parent removed all such costs from the data because they are accounted for elsewhere in the price formula through the cost of carbon adjustor.
- [33] The Signal Report explains that the cost of carbon is embedded in New Brunswick motor fuel rack prices but not in benchmark prices. The cost of complying with federal *Clean Fuel Regulations* under the *Canada Environmental Protection Act* is an input cost for the primary supplier of refined products in Canada but does not have the same influence over benchmark prices because the New York Harbor market is not subject to those regulations.
- [34] Because the price formula offsets the impact of the cost of carbon on wholesalers through a separate cost of carbon adjustor, Mr. Parent removed those costs from Signal’s analysis of the rack-to-benchmark differential and from wholesaler acquisition cost data after satisfying himself that the cost of carbon adjustor reasonably captures the cost of carbon.
- [35] The Board considers this adjustment to be an essential step to avoid over-recovery of costs by wholesalers and to ensure the price formula operates as the legislature intended. The *Act* does not contemplate including the cost of carbon in the wholesale or retail margins.

4.4 Adjusted acquisition costs increased 0.1 cpl (gasoline) and 2.1 cpl (diesel)

- [36] Seven wholesalers provided acquisition cost data for at least part of the evaluation period.
- [37] The Board accepts Mr. Parent’s opinion that the responding wholesalers constitute a representative cross-section of industry participants in the New Brunswick marketplace. However, the data provided by wholesalers was incomplete and Signal relied on assumptions that depart from the Board’s typical methodology, so the Board must also consider whether Signal’s results reasonably represent the changes in wholesalers’ relative acquisition costs for gasoline and diesel over the evaluation period.
- [38] The aim of Signal’s acquisition cost analysis is to assess how acquisition costs of regulated products have changed relative to the benchmark price since 2011. Signal compared each wholesaler’s reported 2022 to 2024 acquisition costs against the average benchmark price. Where a wholesaler provided its contracted discount from the rack price instead

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of actual costs, Signal assumed a rack price for that year equal to the average rack price at the Saint John terminal for that year. The analysis shows volume-weighted average relative cost increases of 0.1 cpl for gasoline and 2.1 cpl for diesel.

- [39] Despite significant effort by Mr. Parent to contact wholesalers and engage in follow-up consultations, not enough furnace oil acquisition cost data was provided for Signal to generate an analysis of furnace oil acquisition costs.
- [40] While DGT did not have access to the wholesaler data, Ms. Brown reviewed the Signal Report and responses to interrogatories and found no basis to contradict Signal's analysis or conclusions.
- [41] Signal's approach is consistent with the methodology the Board typically follows for margin reviews as far as it involves comparing cost and volume changes between two representative years to determine whether a margin adjustment is justified. However, Signal considered only the acquisition cost data from 2022 to 2024 because, in Signal's opinion, the earlier data was insufficient to be representative. Signal did not observe sufficient consistency in the year-to-year results of the acquisition cost analysis to extrapolate them over the entire evaluation period.
- [42] Despite using data from 2022 to 2024, the Board concludes that the results reasonably represent the relative change in acquisition costs over the entire evaluation period. This conclusion is based on Mr. Parent's opinion that the analysis covers the period during which wholesalers were most likely to have experienced a relative change in costs and is supported by the rack-to-benchmark differential depicted in the Signal Report showing an accelerated increase for both gasoline and diesel beginning in 2022, after maintaining relative stability since 2011.

5 Margin increases of 3.0 cpl (gasoline), 5.0 cpl (diesel) and 2.9 cpl (furnace oil) are justified

- [43] Having found that the costs associated with wholesaling petroleum products in New Brunswick have increased since the wholesale margin was last set and based on the shared opinion of Mr. Parent and Ms. Brown that failure to fully capture cost changes and other related factors in the wholesale margin can introduce risks to the continuity of supply, the Board concludes that wholesale margin increases are justified.
- [44] The Board concludes that increases of 3.0 cpl for gasoline, 5.0 cpl for diesel, and 2.9 cpl for furnace oil will allow customers to benefit from the lowest price possible without jeopardizing the continuity of supply of those petroleum products. The Board notes that

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the Public Intervener was satisfied with the recommended margin adjustments. He pointed out in his submissions that increasing wholesale margins would increase costs for customers but described Signal’s recommendations as well supported by the underlying evidence and sufficiently justified, having been reviewed in a transparent process with industry and stakeholder participation.

[45] The Board will not align the wholesale margins with those in Nova Scotia, as some interveners requested. While the Board agrees with the opinion expressed in the DGT Report that awareness of other Atlantic Canadian jurisdictions is valuable to the Board because of similarities in economic conditions, distribution challenges and regulatory environments for petroleum products, there is no evidentiary basis for aligning the two wholesale margins. Mr. Parent testified that he would expect differences between the two margins and cautioned against using the Nova Scotia margin to measure the accuracy of the New Brunswick margin since it is based on Nova Scotia data.

6 Industry Participation

[46] A review of this nature requires industry participation to provide the Board with necessary data upon which to assess whether margin adjustments are justified. Insufficient industry participation is the reason Board-initiated wholesale margin reviews in 2017 and 2019 could not be completed.

[47] The Board appreciates the participation of wholesalers who have supplied data to Signal in this matter and encourages industry to fully participate in future margin reviews.

7 Conclusions

[48] The table below reflects the adjustments made and the new margins effective as of the Board’s price setting effective 12:01 a.m. Friday, October 3, 2025.

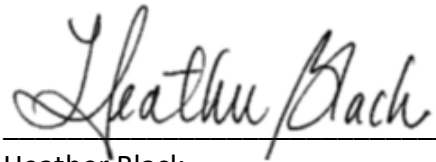
Maximum Wholesale Margin	Prior to this Decision (cpl)	Adjustment (cpl)	As Adjusted (cpl)
Gasoline	6.51	3.00	9.51
Diesel	6.51	5.00	11.51
Furnace Oil	5.50	2.90	8.40

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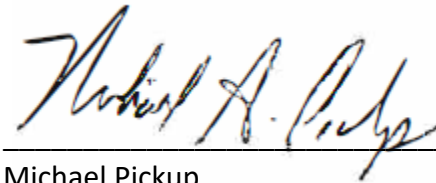
Dated at Saint John, New Brunswick, this 26th day of September 2025.



Christopher J. Stewart
Chairperson



Heather Black
Member



Michael Pickup
Member