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Section 14 Petroleum Margin Review: Retail Motor Fuel and Heating Fuel

Submitted to:

New Brunswick Energy and Utilities Board

Submitted by:

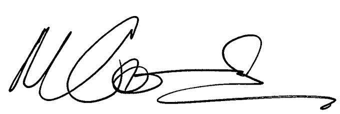

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Table of Contents

List of Tables

List of Figures

1 Introduction

1.1 The New Brunswick regulatory framework

1. Regulation of petroleum products was introduced in New Brunswick on July 1, 2006. It covers the marketing margin (the sum of wholesale and retail margins plus delivery costs) of two product classes: motor fuel (gasoline and diesel) and heating fuel (furnace oil and propane). There is a single maximum retail price for each fuel across the province, though the final selling price may vary because of competition and differences in delivery costs.

2. The Board regulates by setting a maximum retail price arrived at as the sum of:

- A defined benchmark price for the fuel (a reference price in highly competitive markets – in this case, the New York Harbor price – as reported in industry trade publications specified in the Regulations under the *Act*);
- The maximum wholesale margin plus applicable taxes;
- The maximum retail mark-up plus applicable taxes; and
- Actual fuel delivery costs from wholesaler to retailer to a maximum level.

3. There is no minimum margin or price; regulation allows competition. Also, despite the setting of maximum wholesale and retail margins, the *Act* allows the parties to opt out of regulation and to apportion the marketing margin between them as they see fit.

4. A review of prices, margins, delivery costs or full-service charges may be initiated by a wholesaler or retailer, or by the Board. In making any adjustment from then current margins or costs, the Board must be satisfied that the adjustment is “justified”. Though the term “justified” is not given precise meaning in the *Act*, Section 1.1 offers some guidance by stating that the Board, when making decisions shall consider the fact that “consumers should benefit from the lowest prices possible without jeopardizing the continuity of supply of petroleum products”.

5. Further guidance on factors to consider when making decisions on adjustments is provided in the Regulations under 9(1), which provides that an adjustment for wholesale and retail margins would be justified if, *since the margin was last set*, there were changes to:

- costs of transporting fuel from New York harbour to New Brunswick (this would contribute to a widening or narrowing of the effective marketing margin),
- volume of sales (this would increase or decrease unit variable costs),
- storage costs (this would increase or decrease unit overhead costs),
- inventory turnover (this would increase or decrease unit carrying costs),
- applicable levies and insurance costs (this would increase or decrease unit overhead costs) and
- any other factors the Board considers relevant.

6. The phrase, “since the maximum margin was last set” is important because it takes the setting in effect at the time the review is initiated as justified. This means the central thrust of the review is not to look behind the reasonableness or otherwise of the current setting, but rather, to examine to what extent the considerations listed above have changed since the last setting and, if they have changed, to provide guidance on what adjustment is justified. The current retail setting was in November 2019 (based on 2015-2017 data).

1.2 Study objectives

7. The purpose of this review is to provide the Board with the basis for determining whether the current values for the retail margins and charges are justified, and if not, to establish new values that are justified for each item.

8. The objectives of the review are to:

- *based on industry data,* carry out an analysis of the Regulation 9(1) and 11 factors affecting motor and heating fuel maximum retail margins, maximum delivery costs and the full-service charge;
- produce a report drawing on the analysis to document whether current values are justified or not (with reasons), and provide the Board with recommendations on what amounts for each item are justified.

1.3 Approach

Key factors

9. Our approach operates at two levels. The macro analysis examines fuel margins in other jurisdictions as a frame of reference. We document margin and pricing data in regulated markets in PEI and Nova Scotia, as well as in non-regulated jurisdictions as a backdrop to the New Brunswick analysis.

10. The micro analysis examines changes in operating costs at the individual outlet or dealer level and, in turn, how these affect industry-wide margins. This requires an analysis of each of the relevant factors and any others the Board considers relevant to determine whether the net effect of any changes in these factors justifies an adjustment. To carry evidentiary weight, the analysis must be based on *actual financial cost data provided by retailers.* In previous margin reviews, the operating cost data were collected through a survey of retail dealers carried out by a consultant retained by the EUB. The EUB began collecting expense data directly from outlets in 2018 in order to expedite the process.

11. Taking each of the factors in turn:

- **Cost of transporting fuels from New York Harbor (NYH) to New Brunswick, and in the case of propane, from Sarnia to the province**. This cost is relevant because it is among the factors affecting the spread between the benchmark price and the acquisition cost of fuel for retailers, and thereby can influence the size of the retail margin.
- **Volume of sales**. This is relevant because, with fixed unit margins, volume influences the ability to cover overhead costs. Higher volumes increase the ability, while lower volumes decrease it. Any finding of a change in industry-wide average operating costs are adjusted for the change in average volume.
- **Storage costs**. These could change as a result of investment in new storage facilities, or change in inventory carrying costs, etc. Information on these and other factors are reflected in the cost data obtained from outlets.
- **Inventory turnover rates**. Turnover affects the efficiency with which capital is used and has a direct bearing on net revenues through carrying charges. Data on

dealer numbers are obtained from the EUB, while input on carrying charges are obtained from outlets.

- **Levies and insurance costs**. Data on the effects of changes in levies and insurance costs are obtained from outlets. Examples of relevant levies include workers' compensation, facility insurance and municipal taxes.
- **Other factors**. Among the cost factors not covered explicitly under the *Act,* but included in the mark-up, are major expense items such as wages, credit card charges, maintenance, utilities etc. These cost data are obtained from outlets.

Timeframe covered by the review

12. The last adjustment was made in November 2019, based on data for the period ending in 2017. This current review is based on data for the three years 2017-2019 (the timing precludes using 2020); 2017 is used as the base year against which any cost changes are calculated.

Data requirements

13. In its 2008 decision, the Board noted that in order to justify any change to maximum margins, it must be satisfied that the cost of operation has changed significantly in the relevant period, in this case since 2017, the end-point incorporated in the last adjustment. The Board also made it clear that to be satisfied that the cost of operation had changed significantly would require evidence in the form of actual industry cost data. It is not sufficient to rely on indirect data in the form of input costs (e.g., changes in minimum wage, utility costs, etc).

Data sources

14. This review relies on three sources of data to support the analysis:

- **Board**: volume data submitted by retailers (motor and heating fuel) under the reporting requirements set out in Sections 18 - 20 of the *Act*. Volume data provided by the New Brunswick Department of Finance and Statistics Canada are also used.
- **Retailer operating expenses**: expense data submitted directly to the Board by retailers of motor fuels (both corporate outlets and independent retailers) and heating fuels.
- **Input costs**: published data on unit prices of key inputs are used as a crosscheck against information obtained through surveys. These data, covering the 2017-2019 period, include: minimum wage and average wages ($/hour), fuel prices ($/litre) and utility rates ($/kWh). These input price data are not a substitute for operational cost data, but simply act as a guide to confirm (or otherwise) the reliability and consistency of the cost data provided.

2. Motor fuel

2.1 Overview of regulation in the Atlantic Provinces

16. Retail dealers in each of the Atlantic Provinces operate within a regulated environment, with the regulatory framework differing from province to province in terms of how margins (and pricing) are structured:

a. **Regulated:** the allowed margin or mark-up under regulation varies by size and how it is applied. It may be a range with minimum and maximum, or just a maximum with no minimum.

b. **Actual:** the actual margin may differ from the regulated margin in provinces where there is a provision to opt out of regulation. Dealers in Nova Scotia and New Brunswick may opt out and negotiate a margin with their wholesaler. This could be higher or lower than allowed under regulation.

Table 2.1: Self-Serve retail margins in the Atlantic Provinces – 2006-2020

Year	Nova Scotia (1)		New Brunswick (2)		Prince Edward Island (3)		Newfoundland & Labrador (4)	
	Min	Max	Min	Max	Min	Max	Min	Max
2006	4.00	5.50	n.a.	5.00	4.00	5.50	n.a.	5.00
2007	4.00	5.50	n.a.	5.00	4.00	5.50	n.a.	5.00
2008	4.00	5.50	n.a.	5.00	4.50	6.50	n.a.	6.25
2009	4.00	5.50	n.a.	5.00	4.50	6.50	n.a.	6.25
2010	4.00	5.50	n.a.	5.00	4.50	6.50	n.a.	6.25
2011	4.00	5.50	n.a.	5.90	4.50	6.50	n.a.	6.25
2012	4.80	6.60	n.a.	5.90	5.50	6.50	n.a.	6.25
2013	4.80	6.60	n.a.	5.90	5.50	6.50	n.a.	6.25
2014	4.80	6.60	n.a.	6.40	5.50	6.50	n.a.	6.25
2015	4.80	6.60	n.a.	6.40	5.50	6.50	n.a.	8.73
2016	5.10	7.00	n.a.	6.40	5.50	6.50	n.a.	8.73
2017	5.10	7.00	n.a.	6.50	5.50	6.50	n.a.	8.73
2018	5.10	7.00	n.a.	6.50	5.50	6.50	n.a.	8.73
2019	5.10	7.00	n.a.	6.80	5.50	6.50	n.a.	8.73
2020	5.10	7.00	n.a.	6.80	6.00	7.00	n.a.	10.28

Notes

1. NS regulated margin introduced July 1, 2006. Adjusted in 2012 and 2016 (effective October 28th)

2. NB regulated margin introduced July 1, 2006. Adjusted in 2011, 2017 and 2019.

3. PEI regulated margin effective 1991. Adjusted in 2008, 2012 and 2020.

4. NL regulated margin effective 2001. Adjusted in 2008, 2015, and 2020.

Sources

Nova Scotia: http://www.nsuarb.ca/index.php?option=com_content&task=view&id=102&Itemid

New Brunswick: http://www.nbeub.ca/index.php/en/petroleum-products

Prince Edward Island: http://www.irac.pe.ca/petrol/

http://www.pub.nl.ca/orders/order2020/pp/Order%20No%20PP%2046%20(2020).pdf

17. A comparison of retail margins (self-service) for each of the Atlantic Provinces is shown in Table 2.1. As of the end of 2020, the maximum mark-up ranged between 6.5 and 7.0 cpl in the Maritime Provinces, while the maximum in Newfoundland and Labrador is set at

10.28 cpl (reflecting differences in marketing economics). Regulated margins for Full Serve range from 2.0 to 4.0 cpl higher than self-service. There are no published data on actual retail margins, so it is not possible to determine these unless retailers themselves provide that information.

18. Most independent retailers have opted out of regulation. Some operate within a consignment system (where they do not take ownership of the product), accepting a lower margin in exchange for lower risk. Most others acquire fuel on a rack-plus basis, whereby their wholesale buying price is set in relation to the prevailing refinery rack price, e.g., in the range of rack plus 2.0 cents per litre (cpl). The net effect is to expose retailers to the fluctuations in the global market. Their buying price is not fixed from week to week (as it is for those who operate subject to regulation), but changes daily as the rack price changes. Their actual margin, then, is determined by the difference between the rack-plus price at which they buy fuel and the regulated maximum retail selling price.

2.2 Comparative data on marketing margins

19. To put the New Brunswick experience in perspective, it is helpful to see how the marketing margin in the province compares with the national average over time. The marketing margin refers to the difference between the rack (wholesale) price and retail pump price. The national average in Canada typically fluctuates within a range of 4.0-10.0 cpl, shifting in response to competitive conditions – narrowing in periods of abundant product supply when marketers (wholesalers and retailers) intensify competition for market share through aggressive pricing, and widening in periods of tight supply and when costs rise.

20. The posted refinery gate price (rack price) is used as a local reference price to set wholesale selling prices. The rack price is a useful guide to general conditions in markets for refined product (there is a strong correlation between rack prices in eastern Canada and NYH spot prices), but an imperfect guide to the actual marketing margin because limited volumes may actually trade at the rack price. Sales to large volume customers would be subject to a discount (rack-minus), while sales to smaller customers would be subject to a premium (rack-plus).

21. Due largely to competitive forces and efforts to reduce costs, the marketing margin in Canada entered a period of sustained decline in the 1990s that lasted until the early 2000s, when the average dropped to the 4.0 to 5.0 cpl range for sustained periods. By contrast, the New Brunswick margin in the early 2000s (using Saint John as a proxy) was substantially higher, fluctuating mainly within a 7.0 to 8.0 cpl range (Figure 2.1).

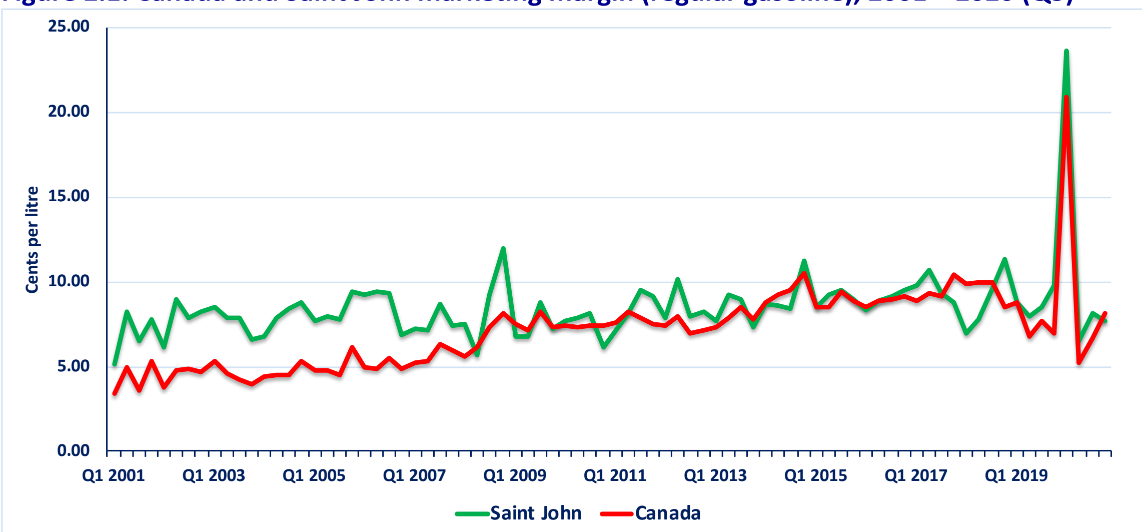
22. With the introduction of regulation in 2006, the New Brunswick marketing margin continued to fluctuate within a 7.0 to 8.0 cpl range for the next several years. At the national level, the post-2005 years saw a sustained rise in the average margin; by 2008, the gap between the provincial and national margins had disappeared.

23. A gap reappeared in 2011, when the New Brunswick retail mark-up was increased. This increase caused the marketing margin to rise above 8.0 cpl on a more or less consistent basis. Following the 2013 increase in the wholesale mark-up and the 2014 increase in the retail mark-up, the New Brunswick marketing margin averaged 8.7 cpl. This is more or less identical to the Canadian average, which had continued to climb after 2012. The New

Brunswick and national average marketing margins tracked each other closely between 2013 and late 2017, when they began to diverge (reflecting a shift in competitive conditions in the wholesale market in the Maritime Provinces). The movement in the marketing margin returned to a convergent pattern in early 2019.

The sharp rise and equally sharp fall in the margin in early 2020, was attributable to the adjustment lag between wholesale and retail (pump) prices following the sharp drop in global crude oil prices and fuel demand in early March. The spike in the margin (Fig. 2.1) occurred because the wholesale price dropped faster than the retail price (particularly between March 10th and 24th). The situation reversed in April, as pump prices lagged the upward movement of the wholesale price, causing downward pressure on the margin. These shifts occurred against the backdrop of declining sales volumes due to COVID-19 restrictions.

Figure 2.1: Canada and Saint John marketing margin (regular gasoline), 2001 – 2020 (Q3)



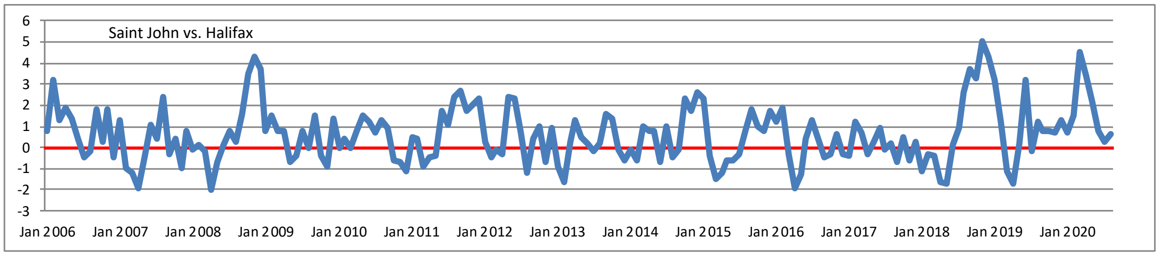
Source: http://charting.kentgroupltd.com/Charting/Margins

24. Figure 2.2 shows that the Saint John marketing margin is similar to other jurisdictions in Canada. Saint John is represented by the red line, while the blue line indicates the extent to which the comparator is higher (above red) or lower (below red). Caution should be used in interpreting the data because of differences in competitive conditions among the cities. For example, stations in large cities would pump relatively high volumes, allowing them to operate profitably at lower average margins.

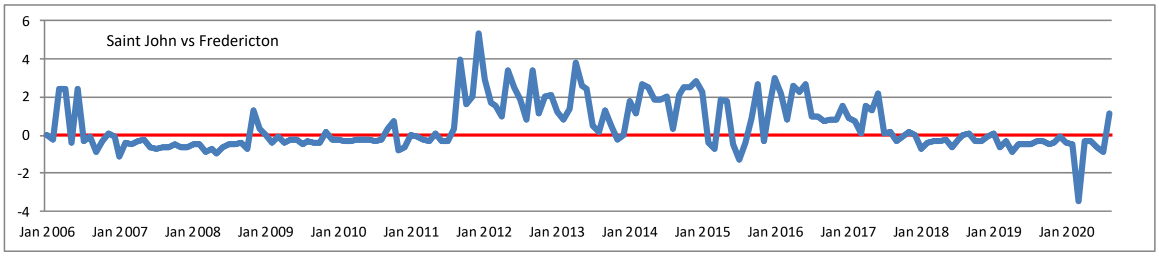
25. Converting the monthly data from Figure 2.2 to longer-term averages provides a clearer picture of how the marketing margin in New Brunswick compares with regulated and unregulated jurisdictions in the rest of Canada (Table 2). During the first five years of regulation (2006-2011), New Brunswick's marketing margin was among the highest in Canada. Marketing margins increased across Canada over the next four years (2012-2015), with the Canadian average rising by 1.66 cpl vs. a 0.70 cpl increase in Saint John. The 0.77 cpl *decline* in the margin in Fredericton, due to local competitive conditions, stands in sharp contrast to shifts elsewhere.

Figure 2.2: Marketing margin – Saint John vs. other Canadian markets, 2006-2020 (Q2)

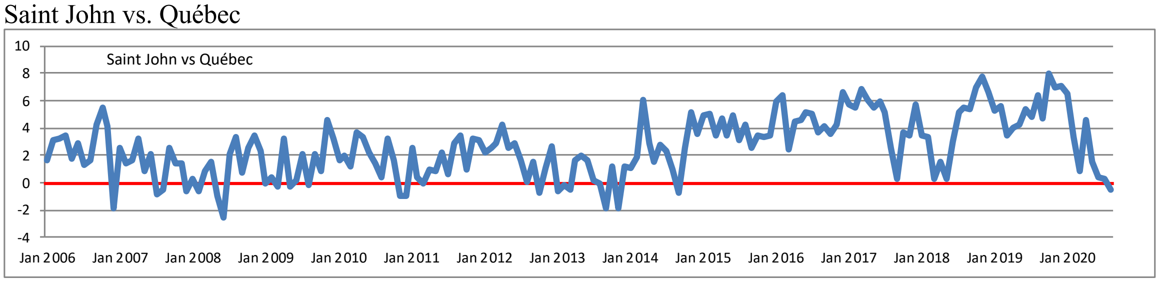
Saint John vs. Halifax



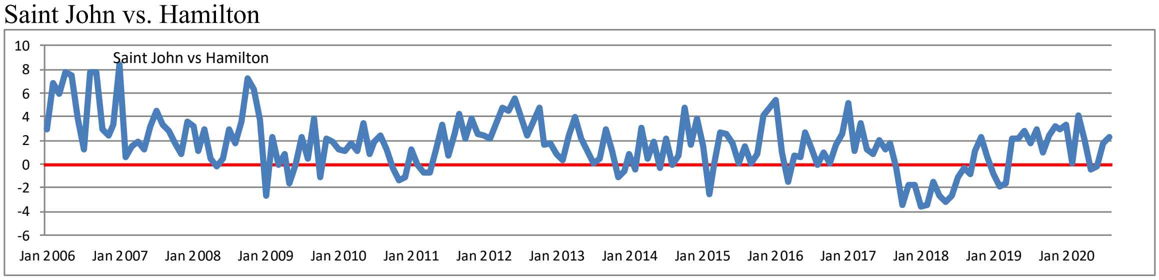
Saint John vs. Fredericton



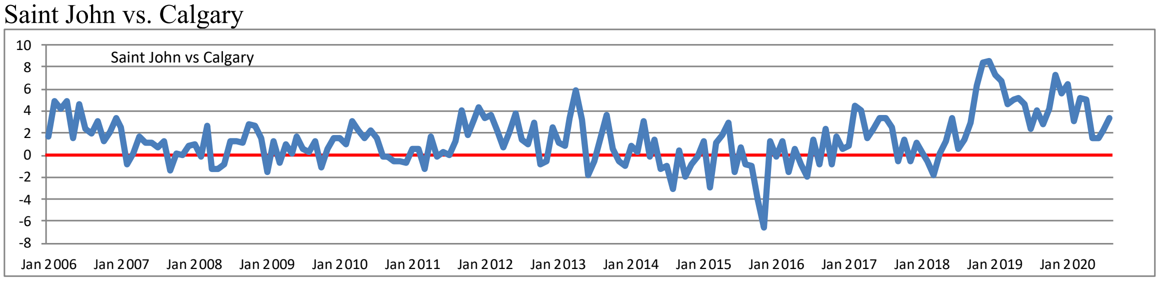
Saint John vs. Québec



Saint John vs. Hamilton



Saint John vs. Calgary



Saint John vs. Ontario average

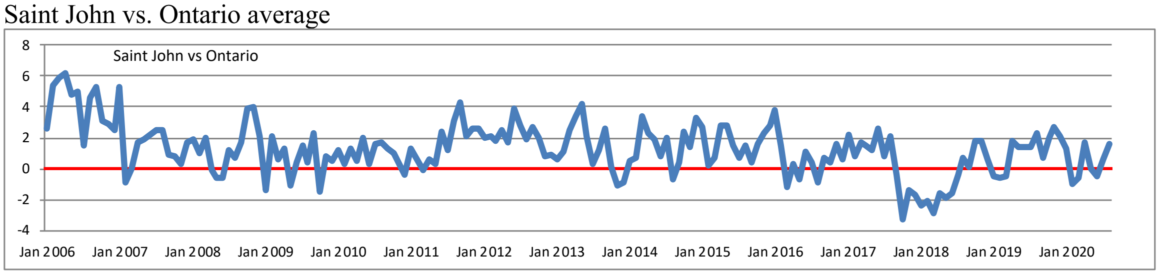


Table 2.2: Marketing margins, selected cities and Canadian average (cpl)

	Saint John	Fred'n	Halifax	Québec	Hamilton	Calgary	Vanc'r	Cht'n	QC avg	On avg	CAN avg
2006-2011 avg	8.04	8.04	7.40	6.45	5.70	6.85	7.07	9.61	7.28	6.32	6.70
2012-2015 avg	8.74	7.27	8.34	6.59	6.85	8.15	7.46	10.42	8.66	7.08	8.36
△ 12-15/06-11	0.70	-0.77	0.94	0.14	1.15	1.31	0.39	0.81	1.38	0.76	1.66
2016-2017 avg	9.25	8.16	9.12	4.55	8.20	8.20	10.80	10.56	6.86	8.68	9.06
△ 16-17/12-15	0.51	0.89	0.78	-2.04	1.35	0.04	3.34	0.14	-1.80	1.60	0.70
2018-2019 avg	8.80	9.14	7.78	4.00	8.73	5.03	11.83	10.60	7.81	8.54	8.49
△ 18-19/16-17	-0.45	0.98	-1.33	-0.55	0.53	-3.16	1.03	0.03	0.95	-0.14	-0.57

Source: Kent Group

26. With the exception of Québec, average marketing margins increased across Canada during 2016-2017. Results were mixed over the 2018-2019 period, with some margins in some markets increasing and in some decreasing. Saint John followed the national average, both declining by about 0.50 cpl to end up in the 8.5-8.8 range. The magnitude of the changes varies widely by market, reflecting local competitive conditions including cost factors. A key point in Table 2.2 is that after 15 years of regulation, the average margin in New Brunswick is within about 0.30 cpl of the Canadian average.

2.3 The impact of changing costs on the retail margin

Approach

27. The number of retail outlets operating in in New Brunswick declined from 433 in 2017 to 423 in 2019.* When we count the outlets that entered and exited the industry since 2017, we estimate that a population of about 410 sites was continuously active during the 2017-2019 review period.

28. Ideally, the analysis would focus only on costs attributable to the petroleum side of the business, since it is the retail supply of petroleum products that is subject to regulation. But this is practically impossible given: a) the great diversity of retail enterprises and the lack of comparability among them; and b) the close integration of various business activities within each enterprise, particularly from a cost perspective. Relying on operators themselves to allocate costs to petroleum vs. C-store and other aspects of the business would produce subjective and widely varying results, and in any event, would not appear to be necessary given our approach to estimating the impact of changes in costs.

29. Our approach proceeds on the assumption that, in any review period, changes to industry structure – and in particular, the apportionment of costs between petroleum and non-petroleum aspects of the business – are relatively minor. Though several stations have exited and entered the industry – a net change of -10 between 2017 and 2019 – the high proportion of core stations in the industry over the period suggests that the structure of operating costs would remain relatively stable. In light of this stability, it follows that any

* Providing an exact count is problematic because outlets exiting and entering the market do not necessarily operate for a full year, resulting in a potential bias in deriving average volumes for the province as a whole. To try to minimize this, we (arbitrarily) exclude from the annual count any entering or exiting outlet that has not operated for at least six months in 2017 or 2019. Outlet numbers, including the month of entry or exit, is based on information provided by the New Brunswick Energy and Utilities Board. Any errors in interpreting the data are the responsibility of the consultant.

changes in operating costs would apply to the respective aspects of the business in the same proportions through the review period.

30. The retail margin is intended to cover the outlet's costs of supplying fuel, including a return on investment. Assessing the impact of changing costs on the retail margin is a matter of determining the extent to which any changes diminish or increase the margin over a specified period. The assessment also takes into consideration the impact on margin of any changes in volume. The review is conducted in four steps:

1) Obtaining the data collected from stations by the Board for the years 2018 and 2019; to simplify reporting, the Board requested data for a limited number of expense items – credit card and banking charges, repair and maintenance, insurance, utilities, and wages and salaries (management and operations).
2) Assembling a complete data set of retail stations that reported expenses and volume to the Board in 2018 and 2019, and also provided 2017 data in the survey conducted by the consultant for the 2015-2017 review;
3) Determining the percentage change in operating costs of each expense item by comparing 2019 values with those of the Base Year, 2017;
4) Determining the impact on the retail margin, adjusted for changes in sales volume (in cents per litre).

31. The complete data set consisted of 123 stations. Of these, 99 were usable. A lack of data in either the base year (2017) or in 2019 was the main reason for excluding 24 stations. Six of the 99 stations indicated increases in discretionary spending arising from a change in format (e.g., offering new services, extending hours of operation) which resulted in their exclusion from consideration in the review. The margin impact of changing input costs, accordingly, is based on the operating experience of 93 stations.

Results

32. Operating costs by item presented in Table 2.3 for the 93 stations show a 7.6% increase over the 2017-2019 review period. Adjusted for the 5.8% decrease in sales volume by these outlets, the cost per litre increased by 14.3%, implying an erosion of margin by this percentage.

Table 2.3: Annual operating costs for motor fuel outlets, no change in format, 2017-2019 ($)

		Base Year		% Change	% of Total
Expense category	**Reporting**	**2017**	**2019**	**2019/2017**	**2017**
Credit card fees	92	4,594,864	4,485,766	-2.4%	14.3%
Repairs and maintenance	87	1,129,650	1,820,394	61.1%	3.5%
Insurance	93	337,062	320,974	-4.8%	1.1%
Utilities	43	1,449,563	1,212,497	-16.4%	4.5%
Wages and benefits	93	24,533,359	26,648,238	8.6%	76.6%
Total		**32,044,499**	**34,487,869**	**7.6%**	**100.0%**
Volume					
Total for outlets (000 l)	93	404,443	380,995	-5.80%	
Cost per litre (cpl)		7.92	9.05	14.25%	

Source: NB EUB; 2019 survey of retail motor fuel stations.

33. The factors behind the cost pressures for some of the leading expense items are as follows:

- **Labour costs**: wages for operations personnel in the retail gasoline industry are influenced by the provincial minimum wage. The minimum wage increased from $11.00 in 2017 to $11.50 in 2019, an increase of 4.5%. The change reported in Table 2.3 (8.6%) exceeds this amount presumably because this item also includes management and administration.
- **Utilities**: the decrease in the utility expense (-16.4%) reflects gains in efficiency over the review period.
- **Credit Card Fees**: The credit card cost data indicates that total cost of fees decreased by 2.4% from 2017 to 2019. With a stable fee structure (in the 1.75% range for most cards), this increase would be attributable to some combination of a decrease in average fuel prices over the period and a decrease in card usage.

34. To illustrate the margin impact of including the six stations that changed format, the data for the full 99 stations are set out in Table 2.4. As a result of adding the six stations, the increase in expenses rises from 7.6 to 11.6%. These six stations had higher average volumes and contributed to a lower decrease in volume over the period. The net effect resulted in an increase in cost per litre of 17.6%.

Table 2.4: Annual operating costs for all motor fuel outlets reporting, 2017-2019 ($)

		Base Year		% Change	% of Total
Expense category	**Reporting**	**2017**	**2019**	**2019/2017**	**2017**
Credit card fees	98	4,780,492	4,716,454	-1.3%	14.4%
Repairs and maintenance - buildings	93	1,202,823	1,911,864	58.9%	3.6%
Insurance	99	345,588	382,292	10.6%	1.0%
Utilities	46	1,514,311	1,274,383	-15.8%	4.6%
Wages and benefits – management & other	99	25,313,949	28,734,461	13.5%	76.3%
Total		**33,157,163**	**37,019,454**	**11.6%**	**100.0%**
Volume					
Total for outlets (000 l)	99	419,246	398,146	-5.03%	
Cost per litre (cpl)		7.91	9.30	17.6%	

Source: NB EUB; 2019 survey of retail motor fuel stations.

Impact of volume

35. Volume is among the factors the *Regulations* explicitly state the Board may consider in prescribing the retail mark-up. Aggregate retail volume is affected by long-term factors such as the number of vehicles in operation, improvements in fuel efficiency, changing economic conditions (affecting distance driven), and short-term factors such as the price of fuel. The relevant measure of volume from an outlet's perspective is litres sold, since every litre contributes margin to gross revenues. This determines the ability to cover overhead costs (most costs do not vary with level of sales). The higher the average sales volume, the greater the ability to cover these costs.

36. While the rationale for including volume as an adjustment factors is clear it is less clear whether to use average sales volume for the outlets in the sample or average sales per

outlet for the province as a whole, where the two differ. Table 2.5 shows that gasoline sales volume in New Brunswick has fluctuated within a narrow range over the past several years, against the backdrop of a slowly rising trend.* Lower prices and improved economic conditions caused gasoline sales to rise in 2015 and into 2017, before declining in 2018. Between 2017 and 2019, total retail sales of gasoline declined by 1.4%.

37. The revenue impact of any change in total volume is also influenced by the change in the number of stations. Station numbers in New Brunswick have been declining for decades, just as they have in other jurisdictions. There were 433 outlets in operation in 2017; by 2019, the number had declined to 423. The decline in the number of outlets coupled with the increase in total volume resulted in an increase in average volume of 0.9%, compared with the 5.8% decrease for outlets in the survey. In my view, this difference is significant, and begs the question why the outlets in the data set are not more closely aligned with the provincial trend.

38. The difference would appear to be attributable to the exclusion from the data of one or more high volume outlets that opened after 2017 that have drawn volume in 2018 and 2019 from many of the outlets in the same market area(s) that are included in the data set. This shift would not show up in the provincial data since these gains and losses are offset.

Table 2.5: New Brunswick motor fuel sales volume*, 2011-2019

	Gasoline	% △		Average volume	
Year	Litres (000)	2017-19	# Stations	Litres (000)	% △ 2017-19
2011	1,068,631				
2012	1,070,276				
2013	1,058,603				
2014	1,054,921				
2015	1,088,993		436	2,498	
2016	1,100,832		435	2,531	
2017	1,128,764		433	2,607	
2018	1,113,470		n.a.		
2019	1,112,598	-1.4%	423	2,630	0.9%

Source: Statistics Canada Table 23-10-0066-01

2.4 *Conclusions and recommendations*

Observations

- **The sample is reasonably representative**

39. The 93 outlets included in the sample account for 22% of the total number of stations in New Brunswick. The sample includes a broad range of stations by geography (all parts of the province are represented) and sales volume (<100,000 l to >10 million l), and accounts for about 34% of total provincial sales volume. The average outlet size by volume (about

* Because retail sales of gasoline account for about 92% of total sales (diesel is sold mainly as a bulk product directly by wholesalers, and accounts for only about 8% of retail sales), gasoline serves as a good proxy for the provincial retail volume trend.

4.1 million l) in the sample is some 55% greater than the provincial average for all outlets (about 2.6 million l).

40. Though the sample is broadly representative in terms of geography, format and share of total volume, it does not reflect industry characteristics in terms of average size (outlet volume) and not necessarily in terms of cost structure. Corporately owned stations dominate the sample (70%). Any difference in cost structure could introduce a bias into the analysis such that the results could deviate from a more representative industry average, thereby muting or amplifying cost impacts.

- **Regulation has produced results consistent with shifts in competitive markets**

41. After over a decade of regulation, the New Brunswick marketing margin is comparable to the national average (Table 2.2). While this provides a useful indicative comparison of market-based vs. regulated adjustments, taken alone, it does not necessarily capture the influence of differences in market characteristics (e.g., competitive conditions and average volumes) and the impact these have on margins.

- **Volume is not a factor in the 2017-2019 margin review**

42. The decrease in volume experienced by the sample outlets overstates the actual industry-wide change for the reason given in Para 38. Average sales volume per outlet has remained stable (less than a 1% change) at the provincial level. In my view, this change is insignificant and does not justify any modification to the recommended adjustment of the margin.

Recommendations

Recommendation 1: An increase the retail margin of 7.6% is justified.

43. The retail margin should be increased by 7.6%. Applying this percentage to the current retail margin of 6.8 cpl results in an increase of .52 cpl (6.8 cpl*0.076 = 0.517 cpl). Rounding up to the nearest tenth of a cent would increase the recommended margin to 7.3 cpl.

Recommendation 2: Maintaining the full-service charge at 3.0 cpl is justified

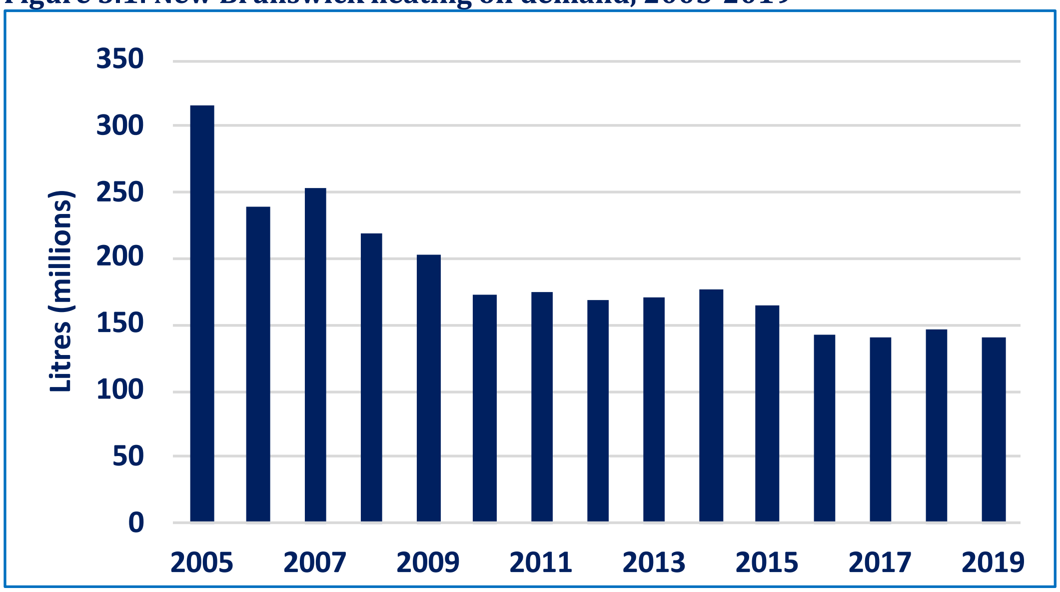
43. Approximately 15% of New Brunswick's retail dealer network operates a full-serve or split-serve enterprise. These are predominantly independently owned outlets located in smaller communities and rural areas. Historically, the premium they were able to charge for full-service did not reflect their cost structure, but rather, their ability to compete with self-serve outlets. Even today, competition constrains their ability to achieve the maximum full-service charge permitted by regulation (3.0 cpl). Most set their price 1-2 cents below the maximum (i.e., 1-2 cents above self-serve). This is consistent with the Canadian average in competitive markets where full-serve sits in the range of 1.0-1.5 cpl above self-serve.

3. Heating oil

3.1 Market Conditions

44. Furnace oil dealers continue to face challenging market conditions in New Brunswick. Demand has been declining for many years in response to competition from alternative fuels (wood, natural gas, propane, heat pumps, etc). Even prior to the emergence of these alternatives, electric heat had become the dominant heat source in new residential construction (augmented with increasingly efficient wood stoves). Furnace oil demand declined by 40% between 2005 and 2012, levelled off until 2015, and then declined further such that by 2017 it was less than half the 2005 level (Figure 3.1). Consultations with retailers indicate that the financial challenges are greatest in rural areas where the characteristics of the customer base (fewer and farther between) make this a high-cost, low margin business.

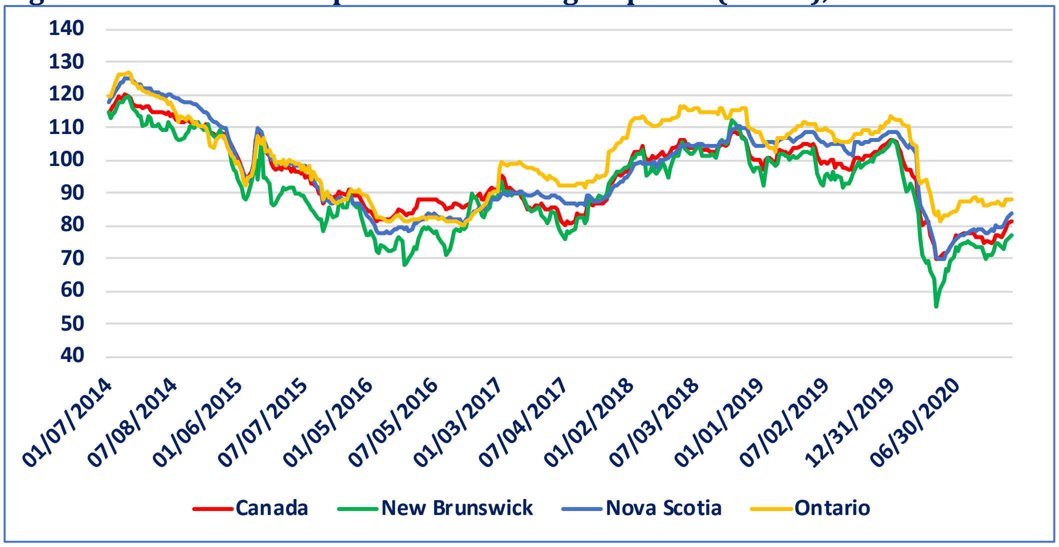
Figure 3.1: New Brunswick heating oil demand, 2005-2019



Source: NB Department of Finance

45. Heating oil prices in New Brunswick conform generally to national and regional trends with respect to seasonal movements and market fluctuations. They tend to be a few cents below the national and regional levels when taxes are excluded (Figure 3.2). This reflects differences in cost structure as well as competitive conditions both within and among the markets. But it is important to note that during the heating season when demand is consistently high, the price difference between regulated New Brunswick and unregulated Nova Scotia tends to disappear.

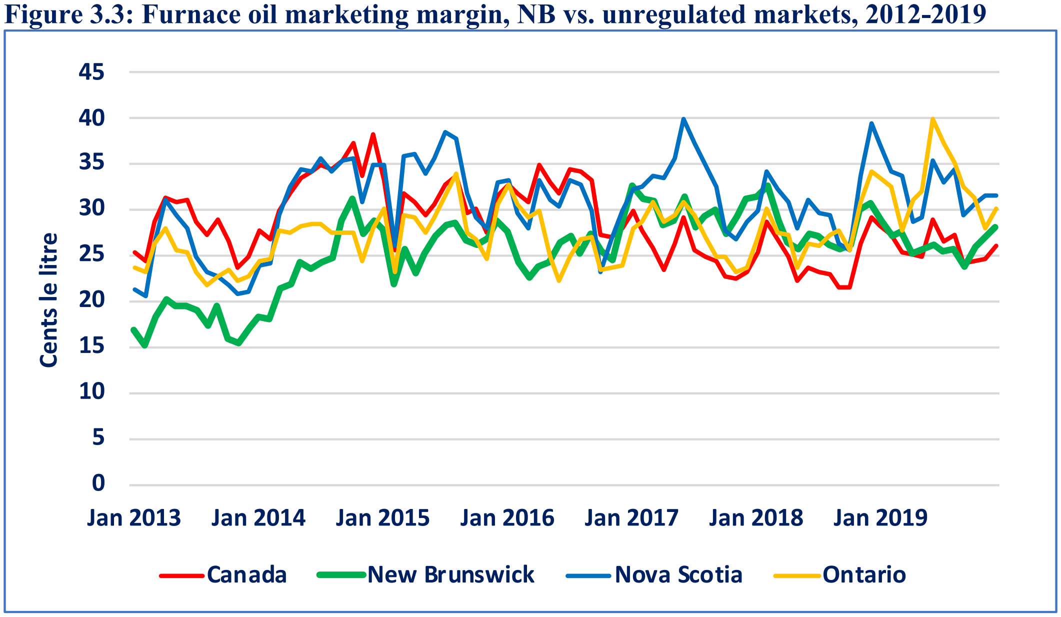
Figure 3.2: National and provincial heating oil prices (ex-tax), 2014-2020



Source: Kent Group Ltd.

46. The marketing margin (rack to retail) for New Brunswick heating oil had been at the low end of the range compared with other jurisdictions prior to 2014, when the EUB adjusted the margin due to rising costs and government changed the regulation specifying the product to be used to establish the benchmark price, bringing it into line with the new industry standard (the industry switched in 2012 to low sulfur furnace oil). The margin doubled over the next several months, reaching the 30 cpl range by September 2014 (Figure 3.3). This compared favourably with unregulated markets (which priced off LSFO as soon as the standard changed). The New Brunswick margin has remained relatively steady (within the 25-30 cpl range) since 2015, fluctuating in response mainly to seasonal swings in demand and acquisition cost. The margin swing in Nova Scotia tends to be more pronounced; hitting a low during the heating season when competition is strongest (and wholesale prices high) and rising during the off-season when wholesale prices are low.

Figure 3.3: Furnace oil marketing margin, NB vs. unregulated markets, 2012-2019



Source: Kent Group Ltd.

3.2 The impact of changing costs on the retail margin

Approach

47. Assessing the impact of changing costs on the retail margin is a matter of determining the extent to which any changes diminish or increase the margin over the period since the last review. The assessment also takes into consideration the impact on margin of any changes in volume.

48. We implemented a four-step analysis:

1) Obtaining the data collected from retailers by the Board for the years 2018 and 2019; to simplify reporting, the Board requested data for a limited number of expense items – credit card and banking charges, repair and maintenance, insurance, vehicle and fuel expenses, and wages and salaries (management and operations).
2) Assembling a complete data set of retailers that provided 2017 data (in the survey conducted by the consultant for the 2015-2017 review) and reported expenses and volume to the Board in 2018 and 2019;
3) Determining the percentage change in operating costs of each expense item by comparing 2019 values with those of the Base Year, 2017;
4) Determining the impact on the retail margin, adjusted for changes in sales volume (in cents per litre).

49. The complete data set consisted of 10 retailers. Of these, eight were usable. Incomplete data in either the base year (2017) or in 2019 was the main reason for excluding the two retailers. The margin impact of changing input costs, accordingly, is based on the operating experience of eight retailers.

Results

50. Table 3.1 shows that expenses increased by 12.2% over the 2017-2019 review period. Total volume (all fuels) delivered by these retailers, of which heating oil accounts for about half, increased by 3.6%. If total volume were to be used as an adjustment factor, it would cause the delivered cost per litre to decline from 12.2 to 8.4%. In my view, this approach would likely penalize retailers since operating costs are driven mainly by the many small volume residential deliveries of heating oil rather than the fewer large drops of diesel and gasoline.

3.3 Conclusions and recommendations

Observations

- **The sample is not randomly selected and may not be representative**

  51. The eight dealers who responded, two urban and six rural, represent about 25% of the New Brunswick heating oil market by volume. If the eight are representative of the industry, it would be by coincidence, since they constitute 20-25% of the total number of dealers and are not randomly selected.

  52. Why more dealers decide not to participate is difficult to say with certainty. But with the industry in decline and dealers trying to cut costs in order to survive, those

who understand the review process may have considered it counter-productive to submit annual expenses showing a decline over the review period. Moreover, dealers may have been put off by the requirement to allocate costs to furnace oil (most of those who responded ignored this requirement). And some dealers simply refuse to share financial information.

- **Volume is not a factor in the 2017-2019 margin review**

  53. Sales volume at the provincial level declined by 15.0% from 2015 to 2016 (from 165.2 to 140.5 million litres). It has been stable in the 140 million litre range since then. Accordingly, no modification to the recommended adjustment of the margin is warranted.

Table 3.1: Annual operating costs for heating oil dealers, 2017 vs. 2019

	2017	2019	% change 2017-2019
Credit Card/Bank charges	190,053	190,459	0.2%
Repair and Maintenance buildings	502,151	257,090	-48.8%
Insurance	272,313	274,635	0.9%
Vehicle fuel and maintenance	818,688	1,151,507	40.7%
Wages and salaries Admin	1,101,632	1,176,104	6.8%
Wages and salaries operations	2,654,753	3,167,552	19.3%
Total expenses	5,539,590	6,217,347	**12.2%**
Volume	50,352,269	52,155,249	3.6%
Cents per litre	11.00	11.92	8.4%

Source: NB EUB; 2019 survey of heating oil retailers.

Recommendation: Retail margin

54. The retail margin should be increased by 12.2%. Applying this percentage to the current retail margin of 21.0 cpl results in an increase of 2.562 cpl (21.0 cpl*0.122 = 2.562 cpl). Rounding up to the nearest tenth of a cent would increase the recommended margin to 23.6 cpl.

55. Though the sample is small, not randomly selected and may not be representative, the dealers submitting data share two important characteristics: they are struggling to control costs in the face of stable (or declining) heating oil volumes. Though it may be counter-productive from a competitive perspective to increase furnace oil prices, the risk of not allowing dealers the option of maintaining margins through a margin increase could be supply interruptions or loss of supply in areas of the province where delivery costs are highest.

4. Propane

56. No submissions were received. Consequently, there is no basis upon which to recommend a margin adjustment.

Appendix A

CV
Michael Gardner, M.A., LL.B.

BIOGRAPHY

Mr. Gardner is President of Gardner Pinfold, a position he has held since the firm began operations in 1980. He is trained in law and economics, complementary disciplines highly applicable to his areas of specialization. Over the years, various Royal Commissions and federal and provincial Task Forces have sought Mr. Gardner's expertise. He has also served as an advisor to the Government of Canada in international arbitrations. His project experience in Canada is nation-wide.

Mr. Gardner also has extensive international experience, with assignments in some 35 countries for such agencies as CIDA, the Asian Development Bank, the World Bank and the Asia Pacific Economic Cooperation forum. During his consultancy career, he has authored well over 200 major reports. He has also published articles in academic journals and presented research papers at numerous conferences. On regulatory matters, Mr. Gardner has testified before the National Energy Board, the Nova Scotia Utility and Review Board, the New Brunswick Energy and Utilities Board, and the Island Regulatory and Appeals Commission of Prince Edward Island.

EDUCATION

Master of Arts degree in Economics, Dalhousie University, 1972
Bachelor of Laws degree, Dalhousie University, 1975

EMPLOYMENT HISTORY

1980-present	President, Gardner Pinfold Consulting Economists Limited 1331 Brenton Street, Halifax, Nova Scotia, Canada, B3J 2K5 Telephone: (902) 421-1720, Extension 14 Facsimile: (902) 422-5343 e-mail: mgardner@gardnerpinfold.ca
1976-1980	Associate Director, Centre for Development Projects, Dalhousie University Halifax, 1976-77; Accra, Ghana, 1977-78, Halifax, 1978-1980
1975-1976	Senior Economist, Newfoundland and Labrador Hydro, St. John's

ADJUNCT TEACHING APPOINTMENTS

1976-1977	Department of Economics, Dalhousie University
1977-1978	Ghana Institute of Management and Public Administration, Accra, Ghana
1978-1980	Faculty of Law, Dalhousie University
1987-1994	World Maritime University, Malmö, Sweden
1993-1995	School for Resource and Environmental Studies, Dalhousie University

AREAS OF EXPERTISE

Techniques	Fields
Benefit-Cost and Economic Impact Analysis	Natural Resources (Fisheries, Energy)
Financial Feasibility and Project Planning	Regulated Industries
Project/Program Evaluation	Regional and International Development
Regulatory and Policy Analysis	Public Administration
Market structure and competitive behaviour	Environmental Economics

CONSULTANCY ASSIGNMENTS: REGULATED INDUSTRIES

Economics of the Nova Scotia Gasoline Market, 2005. (Government of Nova Scotia) This study of industry structure and competitive behaviour in the gasoline market in Nova Scotia provides estimates of wholesale and retail margins, an examination of factors contributing to the decline in retail outlets, a review of approaches to regulation, and an assessment of options to address policy issues.

Petroleum Product Price Regulation in Nova Scotia: a Six-month Review, 2007. (Government of Nova Scotia) This report contains an evaluation of petroleum products price regulation in Nova Scotia, examining how regulation affects industry structure and pricing, with a focus on the effectiveness of regulations in meeting policy objectives.

Review of Regulated Fuel Margins, Costs and Full Service Charges in New Brunswick, 2008. (New Brunswick Energy and Utilities Board) This report was commissioned to provide evidence to the Board regarding the adequacy of margins and delivery costs in the New Brunswick petroleum products market.

Expert Witness in the Matter of A public hearing into Certain Aspects of the Petroleum Products Pricing Regulations, 2009. (Nova Scotia Utility and Review Board) This evidence provided guidance to the Board on the scope and effects of promotions in relation to the objectives of regulation with respect to supporting retail infrastructure.

Impact on Gasoline Sales Volumes in Amherst and Springhill Arising from the Difference in Fuel Tax between Nova Scotia and New Brunswick, 2009 (Nova Scotia Utility and Review Board). This report relied on sales data for all gasoline outlets in the market area to estimate the impact on sales arising from the fuel tax difference between the provinces.

Expert Witness in a hearing respecting the viability of markets affected by their proximity to the provincial border with New Brunswick under the Petroleum Products Pricing Regulations, 2010. (Nova Scotia Utility and Review Board) This evidence provided guidance to the Board on the quantitative impact on sales volumes arising from the fuel tax difference between the provinces.

Expert Witness in the Matter of The Petroleum Products Pricing Act and the Petroleum Products Pricing Regulations, 2006. (Nova Scotia Utility and Review Board) This evidence provided guidance to the Board on approaches to implementing price regulation in Nova Scotia.

Evaluation of Petroleum Products Pricing Regulation in Nova Scotia: a Two-year Review, 2008. (Government of Nova Scotia) This report contains an evaluation of petroleum products price regulation in Nova Scotia two years after implementation. It examines how regulation affects industry structure and pricing, with an assessment of impact on price stability, margins and industry infrastructure.

Expert Witness in the Matter of The review of maximum margins, maximum delivery costs and maximum full service charge pursuant to section 14(1) of the Petroleum Products Pricing Act. 2008 (New Brunswick Energy and Utilities Board)

Impact of Retail Gasoline Promotions and Discounts on Rural and Independent Retailers, 2009. (Government of Nova Scotia) This report examines the implications of promotions and discounts for rural and independent dealers by looking at changes in sales volumes following the introduction of promotions.

Expert witness in an application for a retail petroleum licence, 2009 (Island Regulatory and Appeals Commission). The report and evidence examined the public interest and necessity of a proposed retail gasoline outlet.

Review of Regulated Fuel Margins, Costs and Full Service Charges in New Brunswick, 2010. (New Brunswick Energy and Utilities Board) This report was commissioned to provide evidence to the Board regarding the adequacy of margins and delivery costs in the New Brunswick petroleum products market.

Expert Witness in the Matter of The review of maximum margins, maximum delivery costs and maximum full service charge pursuant to section 14(1) of the Petroleum Products Pricing Act. 2010 (New Brunswick Energy and Utilities Board).

Review of Petroleum Products Pricing, Retail Margin Review, Nova Scotia, *2011*. (Nova Scotia Utility and Review Board). This report provides an assessment of the change in the effective retail markup for regulated petroleum products in Nova Scotia between 2006 and 2011. It also includes a review of the application for increased margins prepared by the Nova Scotia Retail Gasoline Dealers Association.

Expert Witness in the Matter of the Petroleum Product Pricing Act and in the matter of an application by 3067500 Nova Scotia Limited requesting an increase in retail gasoline margins pursuant to s. 24(1) of the Petroleum Product Pricing Regulations. 2011. (Nova Scotia Utility and Review Board).

Expert witness *In the Matter of the Petroleum Pricing Act and In the Matter of an application by CST Canada Co. Requesting approval of an increase of 0.861 cents per litre to the Wholesale Margin for Gasoline and Diesel pursuant to s.24(1) of the Petroleum Products Pricing Regulations.* 2016. (Nova Scotia Utility and Review Board).

In the matter of the Petroleum Product Pricing Act and In the matter of an application by Tusket Ultra Mart Ltd. requesting an increase to retail margins under s. 24(1) of the Petroleum Products Pricing Regulations. 2016 (Nova Scotia Utility and Review Board). This report provides an assessment of the change in the effective retail markup for regulated petroleum products in Nova Scotia between 2011 and 2014. It also includes a review of the application for an increased margin by *Tusket Ultra Mart Ltd.*

Expert Witness *In the matter of the Petroleum Product Pricing Act and In the matter of an application by Tusket Ultra Mart Ltd. requesting an increase to retail margins under s. 24(1) of the Petroleum Products Pricing Regulations.* 2016. (Nova Scotia Utility and Review Board).

Expert witness *In the matter of the consumer protection act and In the matter of a hearing respecting certain aspects of the Consumer Protection Act relating to payday loans.* 2018. (Nova Scotia Utility and Review Board) Prepared evidence in relation to costs of service and margins earned in the industry, and the issue of repeat loans and how these should be addressed through regulation.

In The Matter of The Motor Carrier Act and In The Matter Of The Motor Vehicle Transport Act and In The Matter Of The Review of Discounting Methods and Their Impact Upon The Motor Carrier Industry, 2015. (Nova Scotia Utility and Review Board) Prepared an expert witness report on competition in the charter bus industry including the practice and impact of discounting off approved tariffs. Appeared as an expert witness during the hearing.

Expert witness *In the matter of the consumer protection act and In the matter of a hearing respecting certain aspects of the Consumer Protection Act relating to payday loans.* 2015. (Nova Scotia Utility and Review Board) This evidence provided guidance to the Consumer Advocate in relation to evidence submitted to the Board by the Canadian Consumer Loan Association and also in relation to margins earned in the industry.

Expert witness in *993692 Ontario Inc. et al (Plaintiffs) v. Tri-Board Student Transportation Services Inc. ("Tri-Board") – Arbitration*. 2016. Prepared a report "Determining fair and sustainable rates for student transportation services" and provided testimony at the arbitration hearing.

Expert witness in *Barr Bus Lines et al (Plaintiffs) v. Student Transportation of Eastern Ontario (STEO) – Arbitration*. 2018. Prepared a report "Determining fair and sustainable rates for student transportation services" and provided testimony at the arbitration hearing (in progress).

Review of Regulated Fuel Margins, Costs and Full-Service Charges in New Brunswick, 2016. (New Brunswick Energy and Utilities Board) This report was commissioned to provide evidence to the Board regarding the adequacy of margins and delivery costs in the New Brunswick petroleum products market (retail).

Expert Witness *in the Matter of the review of maximum margins, maximum delivery costs and maximum full service charge pursuant to section 14(1) of the Petroleum Products Pricing Act.* 2016 (New Brunswick Energy and Utilities Board).

Expert witness in *Badder Bus Operations et al (Plaintiffs) v. Southwestern Ontario Student Transportation (STS) – Arbitration*. 2019. Prepared a report "Determining fair and sustainable rates for student transportation services".

Review of Regulated Fuel Margins, Costs and Full-Service Charges in New Brunswick, 2019. (New Brunswick Energy and Utilities Board) This report was commissioned to provide evidence to the Board regarding the adequacy of margins and delivery costs in the New Brunswick petroleum products market (retail).

Expert Witness *In the Matter of The review of maximum margins, maximum delivery costs and maximum full service charge pursuant to section 14(1) of the Petroleum Products Pricing Act.* 2019 (New Brunswick Energy and Utilities Board).

In the Matter of an Application by H. Cormier Service Station Ltd. pursuant to s. 24 of the Petroleum Products Pricing Regulations for approval of an increase on both minimum and maximum retail mark-ups for self-service and full-service gasoline and diesel. 2020 (Nova Scotia Utility and Review Board). This report provides an assessment of the change in the effective retail markup for regulated petroleum products in Nova Scotia between 2015 and 2019.

Expert Witness *In the Matter of an Application by H. Cormier Service Station Ltd. pursuant to s. 24 of the Petroleum Products Pricing Regulations for approval of an increase on both minimum and maximum retail mark-ups for self-service and full-service gasoline and diesel.* 2020. (Nova Scotia Utility and Review Board).

Appendix B

EUB reporting forms

NEW BRUNSWICK
ENERGY & UTILITIES BOARD

CONFIDENTIAL
RETAILER REPORT | MOTOR FUEL

▲ **PLEASE ENTER THE YEAR OF THIS REPORT**

Part A – Retailer Information

FULL LEGAL NAME OF RETAILER	OUTLET NAME	PRODUCT BRAND
RETAILER'S ADDRESS (civic/mailing address, city, postal code)	SITE LOCATION – if different (civic address, city, postal code)	
CONTACT NAME	CONTACT PHONE	CONTACT EMAIL
SOURCE OF PRODUCT SUPPLY (wholesaler's name)	NUMBER OF OUTLETS operated by the retailer (including this outlet)	**A separate Retailer Report is required for each outlet**

Part B – Fuel storage (Type of tank: **STA** = Steel, above ground **STI** = steel, in-ground **FGA** = Fibreglass, above ground **FGI** = Fibreglass, in-ground)

Regular			Premium			Diesel			Other (please specify)		
Type	*Capacity (litres)*	*Year installed*	*Type*	*Capacity (litres)*	*Year installed*	*Type*	*Capacity (litres)*	*Year installed*	*Type*	*Capacity (litres)*	*Year installed*

Part C – Petroleum volumes

	SELF-SERVE					FULL SERVICE				
	Regular	Midgrade	Premium	Diesel	No tax diesel	Regular	Midgrade	Premium	Diesel	No tax diesel
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December										
Total										

Part D – Delivery costs

What were the wholesaler delivery charges to your outlet location?

Product	Annual cost	Average cost per litre (annual cost / total annual volume)
Gasoline (all grades and blends)		
Diesel (all blends)		

Part E – Revenues

All revenues are to be reported in total (000's)

Revenue items	Amount
Motor fuel sales	
Convenience / Grocery	
Car wash	
Automotive services	
Other (describe)	
Total revenues	

Part F – Expenses

If no expenses were incurred for an expense category, **please enter zero.**

Expense items	Amount
Accounting fees	
Advertising and promotion	
Amortization / Depreciation	
Bad debt expense	
Business taxes	
Credit card fees	
Equipment rental	
General and administrative expenses	
Insurance	
Interest on long-term debt	
Management and administration fees	
Meals and entertainment	
Office expenses	
Professional fees	
Property taxes	

Expense items	Amount
Real estate rental	
Repairs and maintenance – Buildings	
– Plant and equipment	
Supplies	
Telephone and communications	
Travel expenses	
Utilities	
Vehicle expenses	
Wages and benefits – Management	
– Other	
Other expenses (describe)	
Total expenses	

Part G – Retailer declaration

I certify that the information provided on this form is, to the best of my knowledge, correct and complete.

Name of retailer

* Name and title of authorized person

Date

* Telephone number

Signature of employer or authorized person

** Required information: Please provide the name and telephone number of the authorized person in case the Board needs to verify information.*

Information contained in this report will be used to assist the NBEUB in future margin review hearings.

SNB 11383-E | MOTOR FUEL | ANNUAL

NEW BRUNSWICK
ENERGY & UTILITIES BOARD

CONFIDENTIAL
RETAILER REPORT | FURNACE OIL

▲ PLEASE ENTER THE YEAR OF THIS REPORT

Part A – Retailer information

FULL LEGAL NAME OF RETAILER	BUSINESS NAME	PRODUCT BRAND (if applicable)
RETAILER'S ADDRESS (civic/mailing address, city, postal code)	SITE LOCATION – if different (civic address, city, postal code)	
CONTACT NAME	CONTACT PHONE	CONTACT EMAIL
SOURCE OF PRODUCT SUPPLY (wholesaler name)	POINT OF SUPPLY	METHOD OF DELIVERY ☐ Retailer picks up from wholesale terminal ☐ Wholesaler delivers product to retailer's bulk plant

Part B – Petroleum volumes

	Total litres PURCHASED				Total litres SOLD			
	Furnace oil	Gasoline	Diesel	No tax diesel	Furnace oil	Gasoline	Diesel	No tax diesel
Jan								
Feb								
Mar								
Apr								
May								
June								
July								
Aug								
Sept								
Oct								
Nov								
Dec								
Total								

Part C – Scope of business

What is the scope of your business?

☐ Retail ☐ Wholesale and retail

How do you deliver furnace oil to your customers?

☐ Directly from wholesale point of supply
☐ From your bulk plant
☐ Other (please specify)

Number of customers			
Storage infrastructure – Total volume of petroleum products stored at your bulk plant			
Furnace oil	Gasoline	Diesel	Other
Total cost of operating bulk plant in			
Storage infrastructure (capital spending in 000's) – Storage tanks and equipment			
– Vehicles			
– Other (describe)			
Total capital spending			

Part D – Delivery costs

What were the average variable costs for the delivery of furnace oil (trucking only) from your point of supply to your customers?

Product	Annual cost	Average cost per litre (annual cost / total annual volume)
Furnace oil		

Part E – Revenues

All revenues are to be reported in total (000's)

Revenue items	Amount
Furnace oil sales	
Other petroleum products sales	
Haulage	
Other products and services (describe)	
Total revenues	

Part F – Expenses

If no expenses were incurred for an expense category, **please enter zero.**

Expense items	Amount
Accounting fees	
Advertising and promotion	
Amortization / Depreciation	
Bad debt expense	
Business taxes	
Credit card fees	
Equipment rental	
General and administrative expenses	
Insurance	
Interest on long-term debt	
Management and administration fees	
Meals and entertainment	
Office expenses	
Professional fees	
Property taxes	

Expense items	Amount
Real estate rental	
Repairs and maintenance – Buildings	
– Plant and equipment	
Supplies	
Telephone and communications	
Travel expenses	
Utilities	
Vehicle expenses	
Wages and benefits – Drivers	
– Management	
– Other (if applicable)	
Other expenses (describe)	
Total expenses	

Part G – Retailer declaration

I certify that the information provided on this form is, to the best of my knowledge, correct and complete.

Name of retailer

* Name and title of authorized person

Date

* Telephone number

Signature of employer or authorized person

** Required information: Please provide the name and telephone number of the authorized person in case the Board needs to verify information.*

Information contained in this report will be used to assist the NBEUB in future margin review hearings.

SNB 11383-E | FURNACE OIL | ANNUAL

NEW BRUNSWICK
ENERGY & UTILITIES BOARD

CONFIDENTIAL
RETAILER REPORT | PROPANE

▲ PLEASE ENTER THE YEAR OF THIS REPORT

Part A – Retailer information

FULL LEGAL NAME OF RETAILER	BUSINESS NAME	PRODUCT BRAND (if applicable)
RETAILER'S ADDRESS (civic/mailing address, city, postal code)	SITE LOCATION – if different (civic address, city, postal code)	
CONTACT NAME	CONTACT PHONE	CONTACT EMAIL
SOURCE OF PRODUCT SUPPLY (wholesaler's name)	POINT OF SUPPLY	METHOD OF DELIVERY ☐ Retailer picks up from wholesale terminal ☐ Wholesaler delivers product to retailer's bulk plant ☐ Other (please specify):

Part B – Petroleum volumes

	Total litres PURCHASED				Total litres SOLD			
	Propane	Gasoline	Diesel	No tax diesel	Propane	Gasoline	Diesel	No tax diesel
Jan								
Feb								
Mar								
Apr								
May								
June								
July								
Aug								
Sept								
Oct								
Nov								
Dec								
Total								

Part C – Scope of business

What is the scope of your business?

☐ Retail ☐ Wholesale and retail

How do you deliver furnace oil to your customers?

☐ Directly from wholesale point of supply
☐ From your bulk plant
☐ Other (please specify):

Number of customers			
Storage infrastructure – Total volume of petroleum products stored at your bulk plant			
Propane	Gasoline	Diesel	Other
Total cost of operating bulk plant in			
Storage infrastructure (capital spending in 000's)			
– Storage tanks and equipment			
– Vehicles			
– Other (describe)			
Total capital spending			

Part D – Delivery costs

What were the average variable costs for the delivery of propane (trucking only) from your point of supply to your customers?

Product	Annual cost	Average cost per litre (annual cost / total annual volume)
Propane		

Part E – Revenues

All revenues are to be reported in total (000's)

Revenue items	Amount
Propane sales	
Other petroleum products sales	
Haulage	
Other products and services (describe)	
Total revenues	

Part F – Expenses

If no expenses were incurred for an expense category, **please enter zero.**

Expense items	Amount
Accounting fees	
Advertising and promotion	
Amortization / Depreciation	
Bad debt expense	
Business taxes	
Credit card fees	
Equipment rental	
General and administrative expenses	
Insurance	
Interest on long-term debt	
Management and administration fees	
Meals and entertainment	
Office expenses	
Professional fees	
Property taxes	

Expense items	Amount
Real estate rental	
Repairs and maintenance – Buildings	
– Plant and equipment	
Supplies	
Telephone and communications	
Travel expenses	
Utilities	
Vehicle expenses	
Wages and benefits – Drivers	
– Management	
– Other (if applicable)	
Other expenses (describe)	
Total expenses	

Part G – Retailer declaration

I certify that the information provided on this form is, to the best of my knowledge, correct and complete.

Name of retailer

* Name and title of authorized person

Date

* Telephone number

Signature of employer or authorized person

** Required information: Please provide the name and telephone number of the authorized person in case the Board needs to verify information.*

Information contained in this report will be used to assist the NBEUB in future margin review hearings.

SNB 11383-E | PROPANE | ANNUAL