



Nova Scotia Utility and Review Board

Petroleum Product Pricing

Breakdown of Weekly Prices - Zone 1

Effective date:

December 1, 2017

The following information is provided to illustrate the calculation of the weekly price set for the date above. It is an unofficial document provided to assist in understanding of the components of the pump price.

GASOLINE

Price Breakdown:

| | | |
|--|---------------------|---------------------|
| Previous Benchmark Price | 61.2 | - see Note 1 below |
| Changes in Benchmark during period: | | |
| Net change in NYMEX commodity price (US\$) | 0.0 | |
| Converting commodity prices to Canadian dollars | <u>0.2</u> | |
| New Benchmark Price | 61.4 | |
| Forward Averaging Correction (current week) | 0.0 | - see Note 3 below |
| Add: Transportation Adjustment | 0.6 | - see Note 4 below |
| Add: Wholesale Margin | 6.65 | - see Note 5 below |
| Add: Federal Excise Tax | 10.0 | - see Note 6 below |
| Add: Provincial Motive Fuel Tax | <u>15.5</u> | - see Note 7 below |
| Equals: Wholesale Selling price (rounded) | 94.2 | |
| | | |
| | | |
| | Minimum | Maximum |
| Add: Retail Margin | 5.1 | 7.0 |
| Add: HST (15%) | <u>14.9</u> | <u>15.2</u> |
| Equals: Pump Price | <u>114.2</u> | <u>116.4</u> |

Benchmark price changes during the period:

The most significant changes in weekly pump prices occur as a result of (1) changes in the NYMEX market price for gasoline (not crude oil), and (2) changes in the value of the Canadian dollar. The table above attempts to show the net effect of each component over the pricing period.

While crude oil and gasoline are related products they are subject to different supply and demand influences and thus their market prices can change very differently in any given pricing period. The more accurate gasoline market values are used for setting pump prices.

Notes:

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| 1 | Benchmark price is the average of the daily average NYMEX market price for refined gasoline for the last pricing period (Thursday to the following Wednesday) stated in Canadian dollars. This analysis is prepared by Board staff weekly based on the formula above, using mandated sources of data. |
| 2 | NYMEX is the abbreviation for the New York Mercantile Exchange. It is the closest and most relevant market for gasoline trading in North Eastern North America. |
| 3 | Forward averaging is a correction or "trueing up" to account for the difference between historical numbers used to set the price and the actual price for the period. On a weekly basis the Board has discretion on whether to use this mechanism and the magnitude that is applied. More on Forward Click Here |
| 4 | Transportation adjustment is the amount included to account for shipping costs to move the product from the refinery or tank farm to the retail station. It varies by zone, and a hearing is required to amend it. More on the transportation allowance can be found in the Board's 2006, 2011 and 2016 Decisions: 2006 Decision 2011 Decision 2016 Decision |
| 5 | Wholesale margin is a fixed amount included in the price to cover wholesalers' costs and permit a reasonable profit. A hearing is required to amend the margin. More information on the wholesale margin can be found in the Board's 2006 and 2012 Decisions: 2006 Decision 2012 Decision |
| 6 | Federal Excise Tax is the amount of tax set by the Government of Canada. |
| 7 | Provincial Motive Fuel Tax is the amount of tax set by the Province of Nova Scotia and is primarily used for highway maintenance. |
| 8 | Retail margin is the variable amount allowed to retail station operators to cover their costs and permit a reasonable profit. There is a minimum and maximum retail margin to allow for some flexibility and competition. A hearing is required to amend the margins. More information on retail margins can be found in the Board's 2006, 2011 and 2016 Decisions: 2006 Decision 2011 Decision 2016 Decision |
| 9 | Some figures are rounded to tenths of a cent (Benchmark, Wholesale Selling Price, and Pump Price). The Board uses the "Bankers Rule" or "Round to Even" method of rounding. More information on that is available in the Board's 2012 Decision on wholesale margins at: 2012 Decision |



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DIESEL

Price Breakdown:

| | | |
|--|---------------------|---------------------|
| Previous Benchmark Price | 65.0 | - see Note 1 below |
| Changes in Benchmark during period: | | |
| Net change in NYMEX commodity price (US\$) | 0.4 | |
| Converting commodity prices to Canadian dollars | <u>0.2</u> | |
| New Benchmark Price | 65.6 | |
| Forward Averaging Correction (current week) | 0.8 | - see Note 3 below |
| Add: Winter Blending applied | 3.6 | - see Note 4 below |
| Add: Transportation Adjustment | 0.6 | - see Note 5 below |
| Add: Wholesale Margin | 6.65 | - see Note 6 below |
| Add: Federal Excise Tax | 4.0 | - see Note 7 below |
| Add: Provincial Motive Fuel Tax | <u>15.4</u> | - see Note 8 below |
| Equals: Wholesale Selling price (rounded) | 96.6 | |
| | | |
| | | |
| | Minimum | Maximum |
| Add: Retail Margin | 5.1 | 7.0 |
| Add: HST (15%) | <u>15.3</u> | <u>15.5</u> |
| Equals: Pump Price | <u>117.0</u> | <u>119.1</u> |

Benchmark price changes during the period:

The most significant changes in weekly pump prices occur as a result of (1) changes in the NYMEX market price for ULSD (not crude oil), and (2) changes in the value of the Canadian dollar. The table above attempts to show the net effect of each component over the pricing period.

While crude oil and gasoline are related products they are subject to different supply and demand influences and thus their market prices can change very differently in any given pricing period. The more accurate gasoline market values are used for setting pump prices.

Notes:

| | |
|----|---|
| 1 | Benchmark price is the average of the daily average NYMEX market price for refined gasoline for the last pricing period (Thursday to the following Wednesday) stated in Canadian dollars. This analysis is prepared by Board staff weekly based on the formula above, using mandated sources of data. |
| 2 | NYMEX is the abbreviation for the New York Merchantile Exchange. It is the closest and most relevant market for gasoline trading in North Eastern North America. |
| 3 | Forward averaging is a correction or "trueing up" to account for the difference between historical numbers used to set the price and the actual price for the period. On a weekly basis the Board has discretion on whether to use this mechanism and the magnitude that is applied. More on Forward Click Here |
| 4 | Winter Blending is the blending of diesel with additives (usually Kerosene) to ensure proper operability during the colder months. More on Winter Blending is available at: Click Here |
| 5 | Transportation adjustment is the amount included to account for shipping costs to move the product from the refinery or tank farm to the retail station. It varies by zone, and a hearing is required to amend it. More on the transportation allowance can be found in the Board's 2006, 2011 and 2016 Decisions: 2006 Decision 2011 Decision 2016 Decision |
| 6 | Wholesale margin is a fixed amount included in the price to cover wholesalers' costs and permit a reasonable profit. A hearing is required to amend the margin. More information on the wholesale margin can be found in the Board's 2006 and 2012 Decisions: 2006 Decision 2012 Decision |
| 7 | Federal Excise Tax is the amount of tax set by the Government of Canada. |
| 8 | Provincial Motive Fuel Tax is the amount of tax set by the Province of Nova Scotia and is primarily used for highway maintenance. |
| 9 | Retail margin is the variable amount allowed to retail station operators to cover their costs and permit a reasonable profit. There is a minimum and maximum retail margin to allow for some flexibility and competition. A hearing is required to amend the margins. More information on retail margins can be found in the Board's 2006, 2011 and 2016 Decisions: 2006 Decision 2011 Decision 2016 Decision |
| 10 | Some figures are rounded to tenths of a cent (Benchmark, Wholesale Selling Price, and Pump Price). The Board uses the "Bankers Rule" or "Round to Even" method of rounding. More information on that is available in the Board's 2012 Decision on wholesale margins at: 2012 Decision |