



# Nova Scotia Utility and Review Board

## Petroleum Product Pricing

### Breakdown of Weekly Prices - Zone 1

Effective date:

February 8, 2019

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:

<b>Previous Benchmark Price</b>	47.04	- see Note 1 below
Changes in Benchmark during period:		
Net change in NYMEX commodity price (US\$)	2.24	
Converting commodity prices to Canadian dollars	<u>(0.45)</u>	
<b>New Benchmark Price</b>	<b><u>48.83</u></b>	
Forward Averaging Correction (current week)	0.0	- see Note 3 below
Add: Transportation Adjustment	0.6	- see Note 4 below
Add: Cost of Carbon	0.94	- see Note 5 below
Add: Wholesale Margin	6.65	- see Note 6 below
Add: Federal Excise Tax	10.0	- see Note 7 below
Add: Provincial Motive Fuel Tax	<u>15.5</u>	- see Note 8 below
<b>Equals: Wholesale Selling price (rounded)</b>	<b>82.52</b>	
	<b>Minimum</b>	<b>Maximum</b>
Add: Retail Margin	5.1	7.0
Add: HST (15%)	<u>13.1</u>	<u>13.4</u>
<b>Equals: Pump Price</b>	<b><u>100.8</u></b>	<b><u>102.9</u></b>

### 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:

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	<a href="#">Click Here</a>
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:	<a href="#">2006 Decision</a> <a href="#">2011 Decision</a> <a href="#">2016 Decision</a>
5	Cost of Carbon, is the cost of carbon at the floor price of the next auction, converted into Canadian Cents per litre. More on Cap-and-Trade can be found to the right, along with the cost being added to the price for 2019 in the PPP Regs.	<a href="#">Cap-&amp;-Trade Regs</a> <a href="#">PPP Regs</a>
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:	<a href="#">2006 Decision</a> <a href="#">2012 Decision</a>
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:	<a href="#">2006 Decision</a> <a href="#">2011 Decision</a> <a href="#">2016 Decision</a>
10	Some figures are rounded to One Hundredth of a cent (Benchmark, Wholesale Selling Price) while the Pump Price is rounded to the tenth of a cent. Sections 16, 17, and 18 of the Regs deal with how these line items are to be expressed	<a href="#">PPP Regs</a>



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### DIESEL

#### Price Breakdown:

<b>Previous Benchmark Price</b>	65.67	- see Note 1 below
Changes in Benchmark during period:		
Net change in NYMEX commodity price (US\$)	0.78	
Converting commodity prices to Canadian dollars	<u>(0.63)</u>	
<b>New Benchmark Price</b>	<b><u>65.82</u></b>	
Forward Averaging Correction (current week)	<u>(0.02)</u>	- see Note 3 below
Add: Winter Blending applied	4.75	- see Note 4 below
Add: Transportation Adjustment	0.6	- see Note 5 below
Add: Cost of Carbon	1.20	- see Note 6 below
Add: Wholesale Margin	6.65	- see Note 7 below
Add: Federal Excise Tax	4.0	- see Note 8 below
Add: Provincial Motive Fuel Tax	<u>15.4</u>	- see Note 9 below
<b>Equals: Wholesale Selling price (rounded)</b>	<b>98.40</b>	
	<b>Minimum</b>	<b>Maximum</b>
Add: Retail Margin	5.1	7.0
Add: HST (15%)	<u>15.5</u>	<u>15.8</u>
<b>Equals: Pump Price</b>	<b><u>119.0</u></b>	<b><u>121.2</u></b>

#### 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 USLD (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 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	<a href="#">Click Here</a>
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:	<a href="#">Click Here</a>
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:	<a href="#">2006 Decision</a> <a href="#">2011 Decision</a> <a href="#">2016 Decision</a>
6	Cost of Carbon, is the cost of carbon at the floor price of the next auction, converted into Canadian Cents per litre. More on Cap-and-Trade can be found to the right, along with the cost being added to the price for 2019 in the PPP Regs.	<a href="#">Cap-&amp;-Trade Regs</a> <a href="#">PPP Regs</a>
7	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:	<a href="#">2006 Decision</a> <a href="#">2012 Decision</a>
8	Federal Excise Tax is the amount of tax set by the Government of Canada.	
9	Provincial Motive Fuel Tax is the amount of tax set by the Province of Nova Scotia and is primarily used for highway maintenance.	
10	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:	<a href="#">2006 Decision</a> <a href="#">2011 Decision</a> <a href="#">2016 Decision</a>
11	Some figures are rounded to One Hundredth of a cent (Benchmark, Wholesale Selling Price) while the Pump Price is rounded to the tenth of a cent. Sections 16, 17, and 18 of the Regs deal with how these line items are to be expressed	<a href="#">PPP Regs</a>