



Nova Scotia Utility and Review Board

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March 25, 2020

Retail Gasoline Dealers Association
of Nova Scotia
c/o Shannon Trites
Executive Director
192 Wyse Road, Suite 7
Dartmouth, NS B3A 1M9

shannon@autohr.ca

Dear Ms. Trites:

Petroleum Products Pricing

Service Nova Scotia has referred your letter dated March 20, 2020, to the Board. Your letter relates to the recent collapse in the market prices of gasoline, which was caused by a significant reduction in the global oil market and reduced demand caused by the COVID-19 pandemic. The prices of diesel are generally not impacted to the same degree.

The Board notes it has not been contacted by any retailer about this issue. While the RGDA expressed concerns about the use of the Interrupter twice in the past two weeks to reduce gasoline pricing, at least two other significant pricing reductions occurred in the past month during the regular weekly pricing process. The Board accepts the RGDA's assertion that the sudden decline of regulated gasoline prices has led to some independent dealers losing between 10 to 40 cents per litre sold, because they are caught with old inventory in their tanks, which was purchased at higher prices. The situation is exacerbated by the declared state of emergency, which is leading to less volume being sold. It is noted that s. 2 of the *Regulations* provides that the purpose of the *Regulations* is to ensure just and reasonable prices for specified petroleum products, taking into consideration, among other things, preserving availability of specified petroleum products in rural areas.

Based on its review, the Board considers it has the authority under the *Petroleum Products Pricing Regulations* to provide some relief to affected retailers. Generally, retailers must charge the regulated prices set by the Board for the respective zones across the Province. However, s. 14(3) does provide an avenue for applications to the Board requesting relief in these exceptional circumstances:

14 (3) On application by a wholesaler, wholesaler-retailer or retailer, and in order to preserve availability of a petroleum product in rural areas, to preserve the viability of markets in the provincial border areas or for another reason the Board considers appropriate, the

Board may prescribe a different fixed wholesale price, a different retail mark-up or different minimum and maximum retail prices that the wholesaler, wholesaler-retailer or retailer may charge for a type of petroleum product at a particular point of sale. [Emphasis added]

The Board can process such applications on an expedited basis upon receiving the required information from applicant retailers. The application process can be initiated by simply sending an email to the Board requesting relief. The request would have to include following:

- 1) the total dollar amount lost on gasoline inventory by the retailer since the start of the significant pricing decline (which the Board would equate with the date of the first pricing Interruption on March 11, 2020);
- 2) copies of all invoices from wholesalers for delivered gasoline product to the retailer, dating back to March 11th, or for the delivery immediately prior, as appropriate;
- 3) the applicant's desired increase in its gasoline pricing schedule (expressed in cents per litre), being the rate which that retailer's market situation can reasonably bear over the period required to recover the total dollar amount lost on inventory;
- 4) the location of the retailer's outlet and the approximate distance to the nearest outlet(s); and
- 5) brief reasons why the retailer considers the relief is required to preserve the availability of gasoline in that rural area.

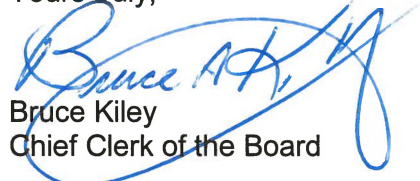
The Board would then expedite a paper hearing and, assuming the evidence supports the request, issue an Order allowing the applicant to recover the requested additional retail margin over and above the regular gasoline pricing schedule set by the Board. The additional margin would remain in effect for such period as is required to recover the total dollar amount lost by the applicant on gasoline inventory to the date of the application, which would be confirmed by providing the Board with all subsequent invoices (or obtained from the wholesaler) until the loss is recovered.

To simplify the administration and compliance of such Orders, the additional margin would have to be treated as being applied in its entirety on each litre sold. To the extent that it is not, and the retailer chooses to charge less of the additional margin than was permitted, the retailer would lose the ability to make up that deficiency later.

Accordingly, the Board would ask that you provide the foregoing information to your member dealers and direct them to contact the Board should they wish to seek the relief outlined in this letter.

If you have any questions, please do not hesitate to contact me.

Yours truly,



Bruce Kiley
Chief Clerk of the Board

c. Honourable Patricia Arab, Minister of Service Nova Scotia MIN_SNSIS@novascotia.ca
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