



NEWFOUNDLAND AND LABRADOR

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

Prince Charles Building, 120 Torbay Road  
P.O. Box 21040  
St. John's, Newfoundland and Labrador  
Canada  
A1A 5B2

Andy Wells  
Chairperson & Chief Executive Officer  
Tel. No: (709) 726-1133  
Fax. No: (709) 726-9604  
Email: awells@pub.nl.ca

**2009 02 18**

**TO: ALL STAKEHOLDERS**

**Re: Review of Labrador Maximum Price Freeze Policy**

The November 6, 2008 freeze of the maximum prices that can be charged for regulated petroleum products in Zone 11 (Labrador South Lodge Bay/Cartwright) and Zone 14 (Coastal Labrador North) was implemented in accordance with existing Board policy and the longstanding practice of suppliers in the region to maintain prices constant throughout the winter. Maximum prices have been frozen in these zones consistently in the fall of each year since 2001 and suppliers, retailers and consumers relied on this policy during that time.

In years prior to 2008 the freeze on maximum prices served to limit the price that suppliers and retailers could charge through the winter in Zones 11 and 14 as maximum prices increased in other zones due to market factors. In the fall of 2008 however there was a significant drop in the price of petroleum products on world markets in the weeks following the establishment of maximum prices for the winter period. This means that current market prices are now significantly lower than the frozen maximum prices in Zones 11 and 14.

In response to concerns raised the Board reviewed all available information to determine if there is a reasonable basis to remove or change the freeze on maximum prices implemented on November 6, 2008. Based on this review the Board is satisfied that the maximum prices set by the Board on November 6, 2008 should not be changed at this time and that maximum prices should continue to be frozen for the 2008-2009 winter period, consistent with previous years. The timing of the freeze reflects the timing of purchases and deliveries of product to the area. This, to the extent possible, aligns the cost of the product with the maximum allowed price. Based on available information marine deliveries to Zones 11 and 14 occurred over the period October 20, 2008 to November 24, 2008 and the purchase of this delivered product would have occurred weeks or months before that time. If maximum prices are lowered in these zones suppliers and retailers may not be able to recover costs that were legitimately incurred based on their reliance on the Board's policy to freeze maximum prices. It is possible that, without the ability to recover their costs, suppliers and retailers will

not be able to continue to operate in the affected communities and/or possible shortages or unavailability of product may result. While suppliers and retailers are free to sell for less than the maximum price it would be imprudent for the Board to reverse the maximum price freeze at this time, as suppliers and retailers cannot be required to sell product at a loss.

Notwithstanding the fact that the Board will not make any changes to the November 6, 2008 freeze on maximum prices in Zones 11 and 14, the Board acknowledges the ongoing concerns in relation to various aspects of the freeze on maximum prices and has decided to conduct a review of its policy. As a stakeholder could you please review the attached consultation document and provide your comments on the existing maximum price freeze policy, including any suggestions for changes or improvements. The Board will carefully consider all comments and suggestions with a view to implementing any necessary changes to the existing policy in advance of the 2009-2010 winter season.

Yours truly,

A handwritten signature in black ink, appearing to read 'Andy Wells', is positioned below the text 'Yours truly,'.

Andy Wells  
Chair & Chief Executive Officer

Attachment