



May 24, 2019

Sent via email

BCUC INQUIRY INTO GASOLINE AND DIESEL PRICES IN BC EXHIBIT A-2

To Stakeholders:

Re: British Columbia Utilities Commission – An Inquiry into Gasoline and Diesel Prices in British Columbia – Project No. 1599007 – Regulatory Timetable and Survey Questionnaire

Further to Order in Council No. 254, approved and ordered on May 21, 2019, the British Columbia Utilities Commission (BCUC), by Order G-112-19, establishes an inquiry into gasoline and diesel prices in British Columbia (Inquiry). The terms of reference are attached as Appendix B of Order G-112-19. Outlined below is information on how parties can participate in this process.

Interveners

Interveners are expected to participate actively, responsibly and respectfully for the duration of the proceeding as per the [BCUC's Rules of Practice and Procedure](#). The deadline to request intervener status is **Thursday, June 13, 2019**.

Due to the nature and timeline of the Inquiry, the BCUC will limit intervener status to parties who are actively involved in the gasoline and diesel industry such as refiners, transportation and storage companies, wholesalers, distributors, marketers, retailers, government and regulators. The BCUC has identified a list of parties that will be requested to participate as interveners and provide evidence in accordance with the terms of reference of the Inquiry. Invited participants are requested to complete the questionnaire attached as Appendix C to Order G-112-19 and, in accordance with the regulatory timetable, submit it to the BCUC by **Thursday, June 27, 2019**.

Interveners may also be requested to participate in an oral component of this Inquiry which is scheduled to be held on **July 17, 18 and 19, 2019**, and if necessary, **July 20, 2019**. This oral hearing will take place at Allwest Reporting, 12th Floor, 1125 Howe St., Vancouver, BC.

In addition to answering the questionnaire, interveners are requested to complete a [Request to Intervene Form](#) available on the BCUC website. Once you are registered as an intervener, you will be provided with further instructions on how to submit information to the BCUC.

Other parties or individuals who wish to intervene, in addition to the criteria described above, must demonstrate that they have sufficient expertise to provide impartial evidence as per the terms of reference established by Order in Council No. 254 and the [BCUC's Rules of Practice and Procedure](#).

The BCUC is retaining an expert to prepare a report addressing the terms of reference of the Inquiry. Phase 1 of the report will be publicly available on **Thursday, June 20, 2019** and we request that you submit comments on the report, along with any other comments or evidence related to the scope of the Inquiry that may be helpful to the Panel, if any, by **Thursday, June 27, 2019**.

Confidential information will be treated in accordance with the [BCUC's Rules of Practice and Procedure](#). If an intervener wishes to request any information in a document to be kept confidential, they must briefly describe the nature of the information in the document and the reasons for the request for confidentiality.

Letters of Comment and Interested Parties

Members of the public who wish to file written submissions may do so at the BCUC website in the form of a [Letter of Comment](#). Letters of comment will be posted on our website and considered by the Panel in the Inquiry's report. The deadline to submit letters of comment is **Thursday, August 8, 2019**.

Interested parties may [register](#) with the BCUC to receive automated email notifications of all documents posted by the BCUC to the inquiry's webpage.

Participant Assistance/Cost Award Funding

Participant Assistance/Cost Award funding is not available for the Inquiry.

About the BCUC

The BCUC is an independent regulatory agency of the Government of British Columbia that is responsible for regulating BC's energy utilities, the Insurance Corporation of BC's compulsory automobile insurance rates, intra-provincial pipelines, and the reliability of the electrical transmission grid. When directed by Government, we undertake inquiries on matters of public interest. We work hard to ensure British Columbians get value from their utilities with safe, reliable energy services and fair energy and basic auto insurance rates, while ensuring the entities we regulate have the opportunity to earn a fair return on their capital investments.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

/dc
Enclosure



ORDER NUMBER
G-112-19

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Utilities Commission
An Inquiry into Gasoline and Diesel Prices in British Columbia

BEFORE:

D. M. Morton, Panel Chair
D. A. Cote, Commissioner
M. E. Doehler, Commissioner

on May 24, 2019

ORDER

WHEREAS:

- A. On May 21, 2019, the Lieutenant Governor in Council, by Order in Council (OIC) No. 254, requested the British Columbia Utilities Commission (BCUC), pursuant to section 5(1) of the *Utilities Commission Act* (UCA), to conduct an inquiry respecting gasoline and diesel prices in British Columbia in accordance with the terms of reference set out in section 3 of the OIC (Inquiry);
- B. As set out in section 3 of OIC No. 254, the BCUC must inquire into the following matters:
- (a) the BCUC must advise on the factors influencing gasoline and diesel prices since 2015 and the mechanisms the Province could use to moderate price fluctuations and increases;
 - (b) without limiting paragraph (a), the BCUC must inquire into the following:
 - i. the differences, if any, in refining margins among British Columbia and other jurisdictions in Canada and the reasons for any differences;
 - ii. the differences, if any, in retail margins among British Columbia and other jurisdictions in Canada, and among different regions in British Columbia, and the reasons for any differences;
 - iii. factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale, including, without limitation,
 - A. the access of refineries in British Columbia to crude oil supply and other components,
 - B. the amount of gasoline and diesel stored in British Columbia for sale in British Columbia,

- C. usage of refinery and pipeline capacity,
 - D. wholesale and retail market sizes and demand,
 - E. methods of distribution of gasoline or diesel to retailers, and
 - F. seasonal variations in supply and demand;
- iv. the extent to which price changes in gasoline and diesel have been determined by market competition and the extent to which those changes have been determined by other factors;
 - v. measures used in other jurisdictions in Canada and North America to enhance transparency about how gasoline and diesel fuel prices are determined.
- C. Section 3(2) of OIC No. 254 states that the BCUC is not to inquire into the effects of Provincial enactments or policy on gasoline and diesel prices in British Columbia;
- D. Section 3(3)(b) of OIC No. 254 directs the BCUC to submit to the Minister of Jobs, Trade and Technology a final report describing the results of the inquiry and including its advice no later than August 30, 2019; and
- E. The BCUC considers that establishment of the Inquiry and a regulatory timetable is warranted.

NOW THEREFORE pursuant to OIC No. 254 issued May 21, 2019 attached as Appendix B to this order, and to section 82 of the UCA, the BCUC orders as follows:

1. A regulatory timetable is established for the Inquiry, attached as Appendix A to this order.
2. In accordance with the BCUC's [Rules of Practice and Procedure](#), parties who wish to participate as an intervener in the Inquiry must register with the BCUC by completing a [Request to Intervene Form](#) by Thursday, June 13, 2019.
3. Invited participants are requested to register as interveners and to complete the questionnaire attached as Appendix C to this order in accordance with the regulatory timetable. If applicable, other approved interveners are requested to complete the questionnaire by Thursday, June 27, 2019.
4. Intervener expert evidence must be filed by Thursday, June 27, 2019 based on the terms of reference of the Inquiry as set out by OIC No. 254. Any comments on the Phase 1 BCUC consultant report must be filed by Thursday June 27, 2019.
5. Members of the public must file letters of comment by Thursday, August 8, 2019.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of May 2019.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachments

British Columbia Utilities Commission
An Inquiry into Gasoline and Diesel Prices in British Columbia

REGULATORY TIMETABLE

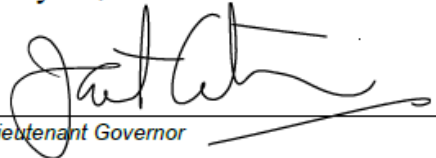
Action	Date (2019)
Intervener registration deadline and/or confirmation of participation	Thursday, June 13
BCUC Consultant Report, Phase 1	Thursday, June 20
Intervener Expert Evidence; Comments on BCUC Consultant Report (if any); and Responses to BCUC Questionnaire	Thursday, June 27
BCUC Consultant Report, Phase 2	Wednesday, July 10
Oral Workshop – Panel Questions	Wednesday, July 17
	Thursday, July 18
	Friday, July 19
	Saturday, July 20*
Intervener and Letter of Comments deadline	Thursday, August 8
Final BCUC Report	Friday, August 30

*if necessary

Oral workshop location: Allwest Reporting
12th Floor, 1125 Howe Street
Vancouver, BC

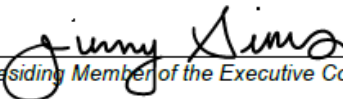
PROVINCE OF BRITISH COLUMBIA
ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL

Order in Council No. 254, Approved and Ordered May 21, 2019


Lieutenant Governor

Executive Council Chambers, Victoria

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that the attached order, British Columbia Utilities Commission Inquiry Respecting Gasoline and Diesel Prices, is made.


Presiding Member of the Executive Council

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section: Utilities Commission Act, R.S.B.C. 1996, c. 473, s. 5

Other: _____

BRITISH COLUMBIA UTILITIES COMMISSION INQUIRY RESPECTING
GASOLINE AND DIESEL PRICES

Definitions

1 In this order:

“Act” means the *Utilities Commission Act*;

“gasoline and diesel” includes the components of gasoline and diesel;

“refining margin” means the difference between the amount a refiner pays for crude oil and other components and the amount the refiner charges its customers for gasoline and diesel;

“retail margin” means the difference between the amount a retailer pays for gasoline and diesel and the amount the retailer charges its customers for gasoline and diesel, excluding taxes.

Referral to commission

2 By this order, the Lieutenant Governor in Council, under section 5 (1) of the Act, requests that the commission advise the Lieutenant Governor in Council respecting gasoline and diesel prices in British Columbia in accordance with the terms of reference set out in section 3 of this order.

Terms of reference

- 3 (1) Subject to subsection (2), the terms of reference, in accordance with which the commission must inquire into the matter referred to it by section 2, are as follows:
- (a) the commission must advise on the factors influencing gasoline and diesel prices since 2015 and the mechanisms the Province could use to moderate price fluctuations and increases;
 - (b) without limiting paragraph (a), the commission must inquire into the following:
 - (i) the differences, if any, in refining margins among British Columbia and other jurisdictions in Canada and the reasons for any differences;
 - (ii) the differences, if any, in retail margins among British Columbia and other jurisdictions in Canada, and among different regions in British Columbia, and the reasons for any differences;
 - (iii) factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale, including, without limitation,
 - (A) the access of refineries in British Columbia to crude oil supply and other components,
 - (B) the amount of gasoline and diesel stored in British Columbia for sale in British Columbia,
 - (C) usage of refinery and pipeline capacity,
 - (D) wholesale and retail market sizes and demand,
 - (E) methods of distribution of gasoline and diesel to retailers, and
 - (F) seasonal variations in supply and demand;

- (iv) the extent to which gasoline and diesel price changes have been determined by competition and the extent to which those changes have been determined by other factors;
 - (v) measures used in other jurisdictions in Canada and North America to enhance transparency about how gasoline and diesel prices are determined.
- (2) The commission may not inquire into the effects of Provincial enactments or policy on gasoline and diesel prices in British Columbia.
- (3) Further terms of reference for the inquiry are as follows:
- (a) the commission may exercise all of its powers under the Act that the commission considers necessary to conduct the inquiry;
 - (b) the commission must submit to the Minister of Jobs, Trade and Technology a final report describing the results of the inquiry and including its advice no later than August 30, 2019.

British Columbia Utilities Commission
Inquiry into Gasoline and Diesel Prices in British Columbia

Questionnaire to Companies

The British Columbia Utilities Commission (BCUC) has been directed by the Government of British Columbia by Order in Council No. 254 to inquire into gasoline and diesel prices in the province (Inquiry). The scope of the inquiry established by government is directed at examining the factors that have caused gasoline and diesel prices to be higher in BC than other markets in Canada since 2015. The BCUC is required to provide a final report to the Ministry of Jobs, Trade and Technology by August 30, 2019. By Order G-112-19, the BCUC has initiated the inquiry.

Please provide responses to questions outlined in the following that relate to your business. In addition to the questions below, you are also invited to submit any other comments or evidence within the scope of the Inquiry that may be useful to the Panel. You may also be requested to participate in an oral component of this Inquiry which is scheduled to be held on July 17, 18, 19 2019, and if necessary, July 20, 2019.

Confidential information will be treated in accordance with the [BCUC's Rules of Practice and Procedure](#). If you request all or any part of the responses be kept confidential, please briefly describe the nature of the information in the sections and the reasons for the request for confidentiality, including any harm that could reasonably be expected to result if the document was made publicly available. The BCUC will then determine the request for confidentiality in accordance with its Rules of Practice and Procedure. If the documents, or portions thereof, are determined to be confidential they will be added to the public evidentiary record and posted on our website but any confidential material determined by the BCUC to be confidential will not be posted publicly. The BCUC will post the name of the document and your covering letter that requests such information to be kept confidential.

This inquiry is important to your industry, the BCUC's objective is to prepare the report based on accurate and comprehensive information. Your participation is vitally important.

Company scope

Please describe your business and identify your role in the gasoline and/or diesel industry. Please describe your company's size relative to the market in British Columbia and in Canada.

Crude Oil Supply

Survey Question	Terms of Reference
<p>1. What are your sources and types of crude oil supply? Please outline any significant changes that have occurred to your sources and grades of crude oil supply since January 2015.</p>	<p>Section 3(1)(a) – factors influencing gasoline and diesel prices since 2015</p>
<p>2. How is crude oil transported to your refinery? Have there been any changes in transportation methods or costs since January of 2015? Please provide a price breakdown by month, where possible.</p>	
<p>3. How do you manage your inventory valuation? How quickly does a change in your crude oil supply cost affect the price of refined products? Please provide any supporting data, where possible.</p>	

Refining of Petroleum Products

Survey Question	Terms of Reference
<p>4. What are your refining cost drivers? Are there refining cost drivers which have substantially changed in the last 3–5 years?</p> <p>5. What are the key factors affecting your refining margin (crack spread)?¹ Have there been any significant changes since January of 2015?</p> <p>6. What refined products do you produce? What changes in demand for refined products has there been since January of 2015? Please provide supporting data, where possible.</p> <p>7. Please discuss the seasonal variations in the supply and demand of gasoline and diesel and how this affects your wholesale price. Have there been any significant changes since January of 2015?</p> <p>8. Does your refinery generally operate at full capacity? If not please explain.</p> <p>9. How does your refining margin compare to other refiners:</p> <ul style="list-style-type: none"> a. elsewhere in Canada? Please provide data and information by year. b. elsewhere in your market area? <p>10. Please provide information on your monthly average refining margin per litre of gasoline and diesel since January 2015 (by grade if possible).</p>	<p>Section 3(1)(a) – factors influencing gasoline and diesel prices since 2015</p> <p>Section 3(1) (b)(i) – differences, if any, in refining margins among British Columbia and other jurisdictions in Canada</p> <p>Section 3(1) (b) (iii) – factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale</p>

¹ **Crack spreads**, which represent the price difference between products and crude oil, can be used to determine the relative value of various petroleum products for refineries to produce. Crack spreads vary by product and can rise or fall depending on the time of year and on market conditions.

Transportation, Distribution and Storage

Survey Question	Terms of Reference
<p>11. Are there gasoline/diesel storage and distribution cost drivers which have substantially changed in the last 3–5 years? If so, please provide details on these changes.</p> <p>12. Where are your gasoline storage terminals located?</p> <p>13. Where are your diesel storage terminals located?</p> <p>14. What is your storage capacity for gasoline and diesel? Please explain if there have been any significant changes to your storage capacity since January of 2015. Please also explain whether your storage terminals operate at full capacity, at surplus capacity or if there are storage constraints.</p> <p>15. How is gasoline transported from refineries to your storage terminals? How is the diesel transported from the refineries to your storage terminals? Have there been any changes in transportation methods and costs since January of 2015?</p>	<p>Section 3(1)(a) – factors influencing gasoline and diesel prices since 2015</p>
<p>16. How does your transportation and storage costs compare to other storage facilities:</p> <ul style="list-style-type: none"> a. elsewhere in Canada? b. elsewhere in your market? <p>17. What are the factors governing the level and changes in the wholesale price of gasoline and diesel? Are there seasonal variations in transportation, storage or distribution operations that affect the wholesale price?</p> <p>18. What are the factors your company considers when setting the price for your fuel services?</p> <p>19. Have there been any constraints since January of 2015 in sourcing refined petroleum and diesel products? Please explain.</p> <p>20. Have there been any constraints relating to refinery or pipeline access since 2015? How has this affected the wholesale prices? Please explain.</p>	<p>Section 3(1) (b)(i) – differences, if any, in refining margins among British Columbia and other jurisdictions in Canada</p> <p>Section 3(1) (b) (iii) – factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale</p>

Retailing of Gasoline and Diesel

Survey Question	Terms of Reference
<p>21. Are there gasoline and diesel retail cost drivers which have substantially changed in the last 3-5 years?</p> <p>22. What are the factors affecting your retailing margin for gasoline and diesel, and how have these factors changed since January of 2015.</p> <p style="padding-left: 20px;">a. Please explain the correlation between your retail price for gasoline and diesel and your wholesale costs.</p> <p>23. How does your retailing margins in BC compare to your retailing margins in other markets within Canada? Please provide any supporting data, where possible.</p> <p>24. How do seasonal variations in supply and demand affect your retail margins?</p> <p>25. Where do you sell your gasoline in BC? Where do you sell your diesel in BC? How many retail stations do you own, lease or franchise?</p> <p>26. Where are your sources of supply and how are they transported to your retail locations? Please explain if this has changed since 2015.</p> <p>27. What factors do retailers selling your product consider when setting prices across BC? Please explain the factors that affect retail price differences in BC.</p> <p>28. Please discuss any seasonal variations that are taken into account when setting the retail prices within BC.</p> <p style="padding-left: 20px;">a. What factors do retailers consider when setting intraday and intraweek prices?</p> <p>29. Please provide information on your monthly average retailing margin per litre of gasoline and diesel since January 2015 (by grade if possible).</p>	<p>Section 3(1)(a) – factors influencing gasoline and diesel prices since 2015</p> <p>Section 3(1) (b)(i) – differences, if any, in refining margins among British Columbia and other jurisdictions in Canada</p> <p>Section 3(1) (b)(ii) – differences, if any, in retail margins among British Columbia and other jurisdictions in Canada, and among different regions in British Columbia, and the reasons for any differences</p> <p>Section 3(1) (b) (iii) – factors that have contributed to the increases in gasoline and diesel prices, both retail and wholesale</p>