



**Shell Canada Limited**

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*Via BCUC e-filing service*

June 27, 2019

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver BC  
V6Z 2N3

Attention: Patrick Wruck, BCUC Secretary

Dear Mr. Wruck,

Re: BCUC Inquiry into Gasoline and Diesel Prices, BCUC Order No. G-112-19, Project Number 1599007  
Shell Canada Limited Responses to BCUC Questionnaire

Please find enclosed Shell Canada Limited's responses to the BCUC Questionnaire, as set out in Appendix C to Order No. G-112-19.

Yours truly,

**SHELL CANADA LIMITED**

Dan Kolenick  
Managing Counsel, Global Litigation – Canada  
Encl.

**BRITISH COLUMBIA UTILITIES COMMISSION**

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

**AND IN THE MATTER OF** the British Columbia Utilities  
Commission's (BCUC) Inquiry into Gasoline and Diesel Prices in  
British Columbia

**AND IN THE MATTER OF** Order No. G-112-19

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**Shell Canada Limited Responses to BCUC Questionnaire, being Appendix C to**

**Order No. G-112-19**

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**June 27, 2019**

To: Patrick Wruck  
BCUC Secretary  
Suite 410, 900 Howe Street  
Vancouver BC  
V6Z 2N3

Further to BCUC Order No. G-112-19 (the “Order”), the following comprises Shell Canada Limited’s (Shell) responses to the questions contained in Appendix C to the Order (the “Questionnaire”). Paragraph numbers below correspond to the numbered questions set out in the Questionnaire.

**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?**

**Response:** Shell’s sources of crude oil supply include primary production from various locations in the Western Canadian Sedimentary Basin. Shell also sources third-party crude oil through its trading network. While Shell is not in a position to provide details as to its supply portfolio, at any given time, Shell’s crude oil supply portfolio reflects any number of changing operational and economic variables, including individual asset performance / production levels; production, processing and transportation infrastructure reliability, availability and investment; commodity prices; corporate capital allocation considerations and potential acquisition and divestment choices. Please also note that Shell does not refine crude oil in British Columbia.

**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.**

**Response:** Shell understands this question to be with respect to refining activities in British Columbia. Shell does not refine crude oil in British Columbia. With respect, this question is not applicable to Shell.

**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.**

**Response:** Please see response to Question 2 above.

**4. What are your refining cost drivers? Are there refining cost drivers which have substantially changed in the last 3–5 years?**

**Response:** Please see response to Question 2 above.

**5. What are the key factors affecting your refining margin (crack spread)? Have there been any significant changes since January of 2015?**

**Response:** Please see response to Question 2 above.

**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.**

**Response:** Shell does not produce any refined products in British Columbia. Please also see response to Question 2 above.

- 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?**

**Response:** In general, Shell is aware that there is higher demand for gasoline in the summer months, and higher demand for diesel in the winter months. Such seasonal demand dynamics generally results in corresponding impacts to Shell's wholesale gasoline and diesel prices (i.e. greater demand results in higher wholesale prices). Shell is not currently aware of any significant changes to seasonal supply and demand dynamics since 2015.

- 8. Does your refinery generally operate at full capacity? If not please explain.**

**Response:** Please see response to Question 2 above.

- 9. How does your refining margin compare to other refiners:**

- a. elsewhere in Canada? Please provide data and information by year.**
- b. elsewhere in your market area?**

**Response:** Please refer to Question 2 above. Further, due to the commercially sensitive and confidential nature of such information, Shell does not have access to, nor is it in a position to provide information on competitor or Shell refining margin data, respectively.

- 10. Please provide information on your monthly average refining margin per litre of gasoline and diesel since January 2015 (by grade if possible).**

**Response:** Please refer to responses to Questions 2 and 9 above.

- 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.**

**Response:** In general, Shell has been exposed to a general increase in operational costs related to storage and distribution. For example, Shell's costs related to labour and materials with respect to storage and transportation facility maintenance and operations have increased, along with increases to overall product transportation and distribution costs (for example, road and rail freight rates). Shell's storage and distribution sites have also seen an increase in municipal taxes such as property taxes. However, overall, Shell would not describe these increases as "substantial".

- 12. Where are your gasoline storage terminals located?**

**Response:** Shell operates two gasoline storage terminals in Burnaby, BC and one gasoline storage terminal in Chemainus, BC.

- 13. Where are your diesel storage terminals located?**

**Response:** Shell operates two diesel storage terminals in Burnaby, BC and one diesel storage terminal in Chemainus, BC.

**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.**

**Response:**

	<b>Chemainus</b>	<b>Burnaby (Burmound)</b>	<b>Burnaby (Shellburn)</b>
Total Storage Capacity Gasoline (m <sup>3</sup> )	12,000.0	17,973.0	10,515.4
Total Storage Capacity Gasoil (Diesel) (m <sup>3</sup> )	3,248.0	38,604.0	24,100.4

There have been no significant changes to storage capacity since 2015. Shell generally operates its storage terminals at levels sufficient to reliably, safely and efficiently supply Shell's local retail and commercial operations. While the Shellburn terminal generally operates at approximately full capacity, the requirements of Shell's local retail and commercial fuels network does not require Chemainus and Burmount to operate at full capacity.

**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?**

**Response:** Shell generally supplies its Burnaby and Chemainus diesel storage terminals via rail transportation from the Shell Scotford refinery (Fort Saskatchewan, AB) and by barge from Vancouver to Vancouver Island. Shell generally supplies its Burnaby and Chemainus gasoline storage facilities via barge from refiners in the Pacific Northwest (United States) to Vancouver & Vancouver Island. More recently Shell has also added gasoline and diesel supply alternatives via its trading network when necessary to access additional supply into the lower mainland / Vancouver area.

**16. How does your transportation and storage costs compare to other storage facilities:**  
**a. elsewhere in Canada?**  
**b. elsewhere in your market?**

**Response:** In general, Shell's transportation costs in British Columbia are higher, due primarily to having to transport refined product from outside of British Columbia (i.e. from

Alberta and Washington in the United States). In general, Shell's storage costs are comparable to other storage costs at other storage facilities in Canada.

**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?**

**Response:** The general factors that govern the level and changes to the wholesale price of gasoline and diesel relate to refinery capacity and availability (which is impacted by planned and unplanned maintenance and operational upsets along with other general operational variations), as well as seasonal demand dynamics (as referenced in Response 7 above, there is generally higher demand for gasoline in the summer months, and higher demand for diesel in the winter months, and such seasonal demand dynamics generally results in corresponding impacts to Shell's wholesale gasoline and diesel prices - greater demand results in higher wholesale prices).

**18. What are the factors your company considers when setting the price for your fuel services?**

**Response:** Please see Response to Question 17 above.

**19. Have there been any constraints since January of 2015 in sourcing refined petroleum and diesel products? Please explain.**

**Response:** Please see Response to Question 17 above. Further, while Shell is aware of there having been instances of combined planned and unplanned refinery unavailability in the Pacific Northwest (United States) and western Canada, Shell has been able to source refined petroleum products in quantities to meet the needs of its retail and commercial operations.

**20. Have there been any constraints relating to refinery or pipeline access since 2015? How has this affected the wholesale prices? Please explain.**

**Response:** Please see Response to Question 19 above. Further, Shell does not carry out refining activities in British Columbia, nor does Shell ship on any refined product pipelines to BC.

**21. Are there gasoline and diesel retail cost drivers which have substantially changed in the last 3-5 years?**

**Response:** Please see Responses to Questions 7, 11 and 17 above, as those costs have also impacted retail gasoline and diesel prices. However, in addition to those aforementioned wholesale, storage and distribution increased cost drivers, there are additional operational retail cost increases, such as labour and municipal and provincial taxes.

**22. What are the factors affecting your retailing margin for gasoline and diesel, and how have these factors changed since January of 2015. Please explain the correlation between your retail price for gasoline and diesel and your wholesale costs.**

**Response:** Due to the confidential and commercially sensitive nature of such information Shell is not in a position to provide specific information regarding retail and wholesale gasoline and diesel retail margins. However, in general, gasoline and diesel (collectively, "fuel") prices, like all commodities, are strongly influenced by supply and demand. Generally speaking, there are four primary cost components to Shell's retail fuel price: crude oil, taxes, refiner margin, and marketing margin. Please also see Responses to Questions 7, 17, 20 and 21 above.

**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.**

**Response:** Due to the confidential and commercially sensitive nature of such information Shell is not in a position to provide specific information regarding its retail and wholesale gasoline and diesel retail margins.

**24. How do seasonal variations in supply and demand affect your retail margins?**

**Response:** Please see Responses to Questions 7, 22 and 23 above. However, Shell can advise that seasonal variations in supply and demand are only one of several factors that impact retail margins, as outlined in the responses set out above.

**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?**

**Response:** Shell's retail network extends across much of British Columbia. There are currently 91 Shell corporately owned sites, 52 dealer owned sites (which Shell supplies) and 9 Shell Flying J sites.

**26. Where are your sources of supply and how are they transported to your retail locations? Please explain if this has changed since 2015.**

**Response:** Generally, the majority of Shell's supply for its British Columbia retail network comes from the Shell Burmount Terminal. Product is trucked from the Burmount Terminal to retail sites. Vancouver Island retail sites are generally supplied from Chemainus. Generally, outside of the Lower Mainland, retail supply originates from Shell's Scotford Refinery which is railed to Kamloops and trucked to retail sites. For areas near Prince George, retail sites are supplied from a third party owned / operated supplier. Further, from time to time, depending

on need, Shell also supplies its retail network via truck from Alberta. There has been no material change to this arrangement since 2015.

**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.**

**Response:** Shell can only comment with regard to the sites within its retail network for which it sets retail prices. With regard to those sites, generally, retail pricing is influenced by a number of variables, with the primary variable being supply and demand dynamics. The costs of transportation and taxes also vary between regions, and those can impact retail prices.

**28. Please discuss any seasonal variations that are taken into account when setting the retail prices within BC. What factors do retailers consider when setting intraday and intraweek prices?**

**Response:** Please see Response to Questions 7 and 22 above. Please note as well that Shell can only comment with regard to the sites within its retail network for which it sets retail prices.

**29. Please provide information on your monthly average retailing margin per litre of gasoline and diesel since January 2015 (by grade if possible).**

**Response:** Please see Response to Questions 22, 23 and 24 above.