

August 5, 2022

Ms. Cheryl Mosher, Senior Financial Advisor  
Prince Edward Island Regulatory & Appeals Commission  
501 – 134 Kent Street  
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Via email: [petroleuminquiries@irac.pe.ca](mailto:petroleuminquiries@irac.pe.ca)

**PRINCE EDWARD ISLAND REGULATORY & APPEALS COMMISSION**

**BOARD MATTER: PMC21-01**

**IN THE MATTER OF THE PETROLEUM PRODUCTS ACT;**

- and -

**IN THE MATTER OF A REVIEW** of the appropriate wholesale and retail margins for gasoline, diesel and finance oil sold in Prince Edward Island pursuant to Order PC19-003;

- and -

**IN THE MATTER OF MARGIN ADJUSTMENT RECOMMENDATIONS** made by Commission Consultant Kalibrate Canada Inc. (Kalibrate).

**Reference:** Kalibrate Canada Inc. (2022). Report: Petroleum Product Margin Review Matter PMC21-01. A report prepared for the Prince Edward Island Regulatory & Appeals Commission. (Kalibrate's Report).

**COMMENTARY SUBMITTED BY THE CONVENIENCE INDUSTRY COUNCIL OF CANADA AND THE CANADIAN ENERGY MARKETERS ASSOCIATION**

1. The Convenience Industry Council of Canada (the CICC) is a national, not-for-profit trade organization representing retail owners, operators and suppliers in Canada's convenience channel. In Prince Edward Island, convenience stores are the largest retailer of motor fuels.
2. The Canadian Energy Marketers Association (CEMA) is a national, not-for-profit trade organization whose membership processes, distributes and sells a diverse mix of energy solutions. Members serving the Prince Edward Island motor fuel market include Parkland, Couche-Tard and Wilsons.
3. The Commission commissioned Kalibrate Canada Inc., as an independent industry expert, "to review all information provided by wholesalers and retailers to prepare a report providing guidance on the Prince Edward Island wholesale and retail margins for petroleum products..." (Kalibrate's Report, page 4).

4. The CICC and CEMA are of the opinion that Kalibrate has the industry knowledge and technical expertise to complete the assignment as commissioned.
5. The following comments address only Kalibrate's review and recommendations with respect to retail motor fuel margins.
6. Kalibrate uses a volume adjusted change in operating costs as its analytical methodology. The review period for operating cost changes is 2018 (the end point from the last retail motor fuel margin review) and 2021 (Kalibrate's Report, page 25).
7. Historically, volume adjusted change in operating costs between two periods has most frequently been the analytical approach accepted by retail motor fuel retail margin regulators in Atlantic Canada in determining any adjustment to margins.
8. It is the CICC's and CEMA's opinion that the volume adjusted change in operating costs analytical methodology used by Kalibrate is fair and reasonable.
9. From data collection attempts, retail operating cost data were submitted by six retailers representing 39 of the 85 retail motor fuel outlets in Prince Edward Island (46 percent) (Kalibrate's Report, page 25).
10. The 39 retail outlets in the sample represent slightly more than 50 percent of the provincial retail motor fuel volume in Prince Edward Island (Kalibrate's Report, page 25).
11. Kalibrate states that the data collected "is an acceptable representative sample" (Kalibrate's Report, page 25) and the CICC and CEMA agree.
12. In its report, Kalibrate provides insufficient evidence for the CICC and CEMA to review and provide comments on the data set itself. This makes it impossible to come to any conclusions whether or not the findings and recommendations in the report itself are fair and reasonable.
13. In aggregate, Kalibrate concludes "...that total operating costs related to the retailing of fuel in Prince Edward Island increased, on average, 1.93 cents per litre between 2018 and 2021. We recommend an equivalent increase in the regulations' retail margin component be considered for gasoline and diesel" (Kalibrate's Report, page 28).
14. From discussions with some leading Prince Edward Island motor fuel retailers, it is understood that Kalibrate's finding of a volume adjusted increase in operating costs of 1.93 cents per litre between 2018 and 2021 generally reflects the operating experiences of these retailers.
15. The CICC and CEMA therefore are of the opinion that the recommended 1.93 cents per litre increase in the retail motor fuel margin for the period 2018 to 2021 is fair and reasonable.

16. It is notable that the Commission regulates retail motor fuel margins based on minimum and maximum margins for self-serve or full-serve, and regular unleaded, mid-grade unleaded, premium unleaded, or diesel.

17. Current minimum and maximum retail motor fuel margins are illustrated below as per Order PC19-003.

	Regular Gasoline		Mid-Grade Gasoline		Premium Gasoline		Diesel	
	Min	Max	Min	Max	Min	Max	Min	Max
<b>SELF-SERVE</b>								
<b>Retail Margin</b>	6.0	7.0	6.0	7.0	6.0	7.0	6.0	7.0
<b>FULL-SERVE</b>								
<b>Retail Margin</b>	6.0	10.5	6.0	10.5	6.0	10.5	6.0	10.5

18. Kalibrate does not specifically state where the recommended 1.93 cents per litre retail motor fuel margin increase should be applied. As there is no evidence to the contrary, it is the opinion of the CICC and CEMA that the increase should be applied to all retail margin categories.

Submitted on behalf of the Convenience Industry Council of Canada and the Canadian Energy Marketers Association.

Sincerely,



Mike Hammoud  
Convenience Industry Council of Canada  
Vice President – Atlantic

c.c. Anne Kothawala, President, CICC  
Jennifer Stewart, President, CEMA