



Interrogatories of Commission Staff

TO: Signal Energy Consulting

FROM: Cheryl Bradley, Acting Director of Finance & Regulatory Affairs

DATE: May 8, 2026

RE: Petroleum Products Benchmark, Pricing and Margin Review (2025)

DOCKET: PMC25-01

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the Petroleum Products Benchmark, Pricing and Margin Review (2025) report prepared by Signal Energy Consulting, requests responses to the following interrogatories:

1. In light of current market conditions, including increased global petroleum price volatility and heightened expectations regarding transparency and public accountability, is the continued use of rack pricing as the primary benchmark for petroleum price regulation on Prince Edward Island appropriate? Please provide a detailed response, including the following:
 - a. An explanation of how rack pricing tracks underlying market costs during periods of volatility, including any limitations of this approach.
 - b. A discussion of whether the rationale supporting the use of rack pricing in the report remains valid under current market conditions, including any factors that may not have been fully captured in the report.
 - c. Please provide, with supporting calculations, how petroleum prices on Prince Edward Island would be determined using a New York Harbour (NYH) based benchmark, including:
 - i. all inputs and assumptions;
 - ii. margin components;
 - iii. the step by step methodology used to translate NYH prices into PEI retail prices; and
 - iv. any adjustments required to reflect local market conditions.
 - d. Using the approach in (c), please provide a comparison of pricing outcomes under:
 - i. the current rack-based approach; and
 - ii. an NYH-based approach.

- e. Based on the analysis above, please state whether you continue to support the use of rack pricing as the primary benchmark, and identify any limitations, uncertainties, or areas where further analysis may be warranted.
2. Is the Commission's current reliance on periodic expert reviews sufficient to ensure that the petroleum pricing framework remains appropriate and responsive to market conditions? Please provide a detailed response, including the following:
 - a. An assessment of whether periodic reviews remain adequate in the current pricing environment.
 - b. The feasibility and value of implementing ongoing internal monitoring (e.g., weekly or monthly) comparing rack pricing to NYH or other benchmarks.
 - c. Identification of appropriate indicators or thresholds that could signal when the Commission should initiate further review of its pricing framework.
3. Does the report provide sufficient information and tools to ensure ongoing transparency in petroleum price regulation, including the ability to demonstrate that rack pricing remains appropriate and aligned with underlying market conditions? Please provide a detailed response, including the following:
 - a. An assessment of whether the report provides sufficient information to enable the Commission to regularly evaluate whether rack pricing remains aligned with underlying market indicators, including NYH.
 - b. Identification of any additional analysis, data, or metrics that would be required for the Commission to monitor and test the relationship between rack pricing and NYH on an ongoing basis, particularly during periods of volatility or when gaps between benchmarks widen.
 - c. Recommendations for specific tests, comparisons, or indicators (e.g., spreads, thresholds, trend analysis) that the Commission could implement to assess whether rack-based pricing outcomes remain reasonable relative to underlying market costs, including those reflected in NYH pricing over time, including identification of any thresholds or conditions that may indicate that rack pricing is no longer appropriately aligned with underlying market conditions.
 - d. Recommendations on how the results of such monitoring and testing could be clearly communicated to the public to support transparency and confidence in the pricing framework.
4. Based on the analysis and comparisons provided in response to IR-1, what are the practical impacts of using rack pricing as the primary benchmark for petroleum price regulation on Prince Edward Island? Please provide a detailed response, including the following:
 - a. An explanation of whether the use of rack pricing results in higher or lower prices for consumers compared to an NYH-based approach over time.

- b. An assessment of whether the use of rack pricing increases or reduces price volatility, and the extent of any such impact.
 - c. Commentary on the implications of the benchmark choice for:
 - i. Consumers; and
 - ii. Regulated companies, in particular in relation to how product is acquired and priced.
5. Is the Commission making sufficient use of available data to validate and assess the performance of its petroleum pricing model? Please provide a detailed response, including the following:
- a. How the Commission should utilize existing data comparing rack pricing, NYH, and other jurisdictions to validate the pricing model.
 - b. Whether formal periodic analysis (e.g., daily, weekly, monthly or quarterly) of these comparisons is warranted.
 - c. Recommendations for a framework to document and explain differences between PEI prices and those in other jurisdictions.
6. What would be the implications of setting the minimum price at zero within the current petroleum pricing framework on Prince Edward Island? Please provide a detailed response, including the following:
- a. An assessment of how setting the minimum price at zero would affect market behavior, including pricing practices and competition among market participants.
 - b. Commentary on potential impacts on consumers.
 - c. An assessment of the implications for regulated companies, including any risks related to cost recovery, supply stability, or market participation.
7. To what extent does the absence of actual acquisition cost data impact the reliability of the Commission's pricing decisions? Please provide a detailed response, including:
- a. An assessment of the implications of not having access to actual acquisition cost data when evaluating petroleum pricing and margins.
 - b. An explanation of how the absence of acquisition costs data may affect the Commission's ability to determine whether margins and price adjustments are appropriate.
 - c. Identification of any risks that the Commission may be setting prices or margins that are not aligned with actual market conditions as a result of relying on incomplete information.
8. Is it appropriate for the report to assume that existing petroleum margins are reasonable? Please provide a detailed response, including the following:

- a. The basis for the assumption that existing margins are appropriate.
 - b. Whether margins should be re-evaluated from first principles.
9. Is the current allocation of costs between rack pricing and the secondary wholesale margin appropriate? Please provide a detailed response, including the following:
- a. Identification of the specific costs intended to be recovered through:
 - i. rack pricing; and
 - ii. the secondary wholesale margin.
 - b. An assessment of whether there is any overlap or potential for double recovery.
10. In your report, you conclude that the current interruption policy is appropriate in principle; however, it was developed under a different pricing schedule and may not reflect the Commission's current weekly pricing framework.

Please provide a formal recommendation for an updated interruption policy that is aligned with the Commission's current pricing model, including clear criteria for when interruptions should occur, how they should be implemented, and how they would operate within a weekly pricing schedule.

11. Furnace oil prices on Prince Edward Island appear to differ from those in Nova Scotia and New Brunswick. Please explain the reasons for these differences, including the role of benchmarks, margins, and any other elements of the pricing framework, and indicate whether, in your view, these differences are appropriate.
12. Given that propane remains within the Commission's current legislative mandate, and recognizing that deregulation may not be a viable option within that framework, what steps should the Commission take to ensure that propane pricing remains appropriate and that concerns within the propane market are effectively identified and addressed? Please provide a detailed response, including the following:
- a. Identification of the key risks, issues, or concerns that may arise in the propane market under the current regulatory framework.
 - b. Recommendations on the type of information the Commission should collect on an ongoing basis to monitor propane pricing and market conditions.
 - c. Recommendations on how the Commission should assess and respond to concerns in the propane market, including any regulatory tools, processes, or approaches that could be implemented within the Commission's existing authority.
 - d. Where applicable, identification of approaches used in other jurisdictions that could be adapted to support effective oversight of the propane market on Prince Edward Island.

Additional interrogatories may follow.

A handwritten signature in blue ink, appearing to be 'CB', with a stylized flourish extending to the right.

On behalf of Cheryl Bradley CA, CPA
Acting Director of Finance and Regulatory Affairs
Prince Edward Island Regulatory & Appeals Commission