

MEDIA RELEASE

Petroleum Pricing Office releases maximum prices for regulated fuels

Effective 12:01 a.m. Friday, April 15, the maximum price for all types of gasoline (last adjusted March 22) will increase by 2.1 cents per litre (cpl); diesel by 2.0 cpl; stove oil by 1.61 cpl; and, residential propane used for home heating purposes by 3.1 cpl.; whereas No. 2 blend furnace oil will decrease by 0.27 cpl.

There will be no changes to maximum fuel prices in regions of the province where a price freeze is in effect.

David Toms, director (acting) of the Public Utilities Board's Petroleum Pricing Office (PPO), said, "Despite an easing of world oil prices on NYMEX (New York Mercantile Exchange) over the past few days, this current price adjustment reflects the all-time high pricing levels for commodities, such as gasoline, as well as other fuels we regulate that have been sustained over the past month. While consumers in this province have been able to avoid the tremendous volatility and upward pressure on gasoline prices, in particular, experienced in the U.S. and elsewhere in Canada over the past few weeks, it is these pressures that are now being reflected in these higher prices."

With a view to future pricing, Mr. Toms noted there are some positive signs in the marketplace, but there are also other factors that may serve to mitigate these favourable circumstances.

While lower world prices may be anticipated than has been exhibited over the past month, there are several issues that could contribute to continued volatility. Refinery output and current inventories are expected to meet this summer's demand for gasoline; however, mixed reports from OPEC are emerging as to whether it is necessary to increase production output levels. Distillate fuel inventories (furnace/stove oil and diesel) are at the lower end of the average range for this time of year, but much will depend on the impact of weather conditions on this supply and hence on home heating oil prices. There is also a strong demand for diesel, which is continuing to place pressure on prices for this group of fuels. Propane is experiencing an upward movement in prices due to declining inventories resulting from colder-than-average weather and increased use of this product in the petrochemical industry.

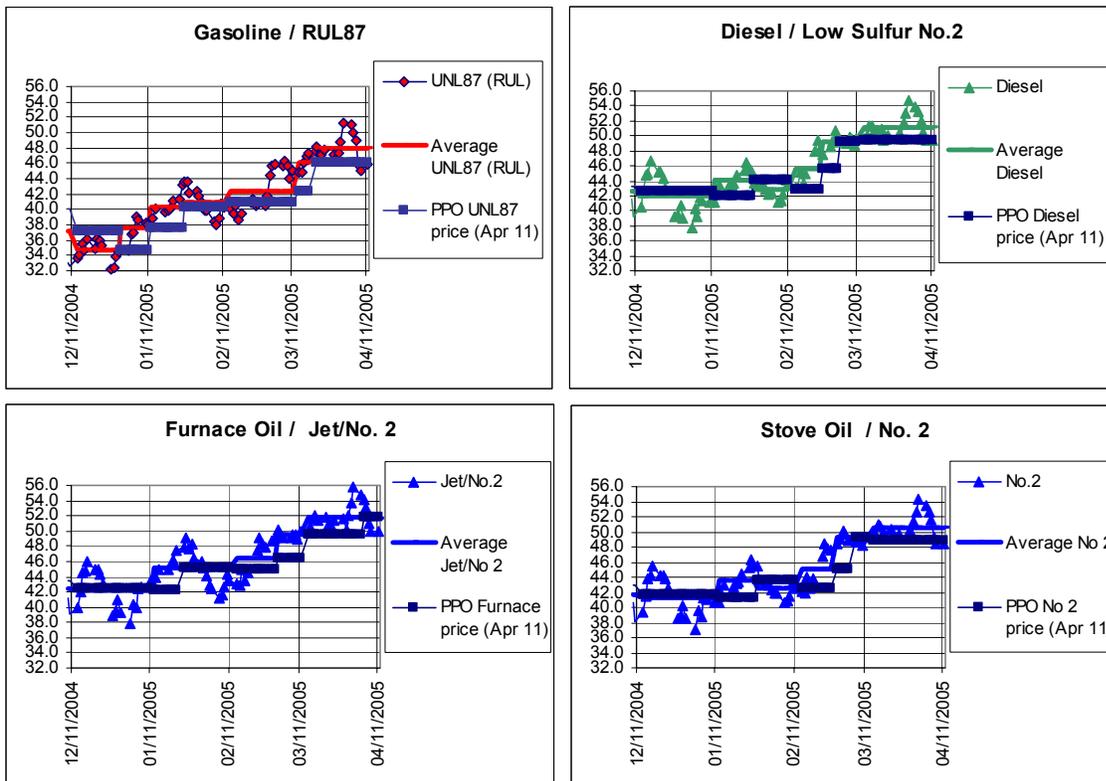
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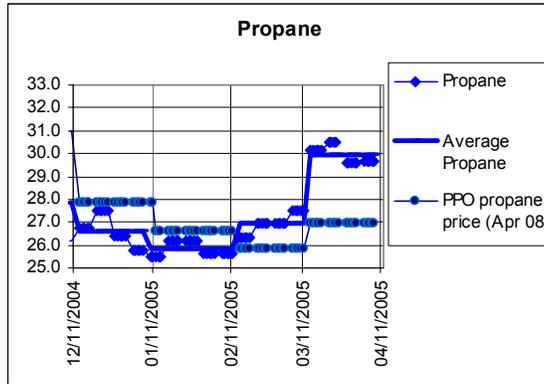
The PUB adjusts fuel prices on the 15th of each month using the average daily prices for finished petroleum products as listed on NYMEX (New York Mercantile Exchange). Outside of this scheduled mid-month adjustment, the PPO responds to extreme volatility in petroleum prices through the application of an "interruption formula." This formula is applied if an average five-day maximum differential is exceeded on NYMEX (e.g. 3.5 cpl. for gasoline, home heating fuels or diesel; 5.0 cpl for propane) provided the change doesn't conflict with the mid-month adjustment. The formula is implemented consistently, recognizing rapid decreases or increases in market pricing, and is intended to fairly reflect commensurate changes in the marketplace which affect both consumers and industry alike.

Many of the factors that have influenced the fuel market throughout the majority of this past 30-day period to push refined product prices upward, include:

- crude oil prices (though not directly used to calculate regulated fuel prices, but play a role in their market-pricing movement) reached another record of more than \$58 US;
- up until last week, an emergency reserve, known as the U.S. Strategic Petroleum Reserves (SPR), was being filled at a high rate during the period, which contributed to a concern about a lack of available fuel supply levels to serve normal markets;
- statements, such as Goldman Sachs Group suggesting that oil could eventually reach as much as \$105 US, are not supported by current market fundamentals, but had served to bolster prices unjustifiably;
- continuing concern of insufficient fuel supply availability, despite increasing inventories for oil and gasoline, to keep up with the projected demand;
- economic growth in the U.S. and China has led to increased fuel consumption, and global oil use is also expected to climb; and,
- refinery production problems at major facilities in Venezuela (the world's fifth-biggest oil exporter and a top supplier of crude and oil products to the U.S.) and Texas (the third largest in the U.S.).

Illustrated in the following graphs are the market-price performances of the five products regulated by the PPO for recent regularly scheduled periods up to April 11, 2005 (except propane – April 8):





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