

MEDIA RELEASE

Gasoline prices remain unchanged; other fuels increase

Effective 12:01 a.m. Tuesday, Sept. 27, 2005, the Public Utilities Board, through its Petroleum Pricing Office (PPO), will increase the maximum allowable prices of distillate fuels (diesel and furnace/stove oil) and residential propane used for home heating in Newfoundland and Labrador (NL). There will be no change to the maximum price of gasoline.

The maximum price for diesel will increase by 5.4/5.5 cents per litre (cpl) - depending on the HST rounding effect for a particular pricing zone, while furnace/stove oil prices will move upward by 4.32 cpl. Residential propane used for home heating purposes will also rise by 4.7 cpl.

The criteria were met for the application by the Board of the interruption formula for all regulated products, except gasoline. This formula provides for interim price adjustments based on market conditions that occur between regularly scheduled price changes on the 15th of each month. These pricing adjustments are in accordance with the normal policies of the Board, and no special pricing action has yet been justified arising from Hurricane Rita. While damage from Hurricane Rita was not generally as severe as expected, events surrounding the start-up of refineries that were shut down in the wake of storm continue to be a concern and may impact prices in the days ahead.

As it has done since assuming responsibility for the regulation of petroleum products pricing in 2004, the Board, with the assistance of its Petroleum Pricing Office (PPO), will continue to make decisions in setting maximum fuel prices in NL. The Board closely monitors both global and local conditions during extraordinary events as evidenced over this past month and throughout more normal periods. The Board remains committed to performing its regulatory responsibilities and ensuring fuel price changes in this province, either downwards or upwards, are warranted and justified based on available market information provided by the PPO.

BACKGROUNDER

The week of Sept. 19-23 saw yet another spiking in the price of many refined petroleum products in the United States, Canada and most markets throughout the world. Market prices on the New York Mercantile Exchange (NYMEX), which is used by the Board as the basis for its pricing adjustments, took a fast-paced jump from the outset that was primarily led by news of Hurricane Rita. Described as a catastrophic weather system, the hurricane was headed into the Gulf of Mexico, a major source of oil and refinery production.

As the week progressed, forecasters believed the hurricane would strike Texas. Much of the Texas coastline in question is home to the biggest concentration of U.S. refineries and accounts for upwards of 30 per cent of the country's total capacity, making this of particular significance for the market as limited spare refining capacity has been an ongoing concern in the face of global demand. Many refineries were closed and evacuated as a precaution for the hurricane's landfall.

Market prices retreated at the closing of NYMEX Friday, as Hurricane Rita reportedly lost strength and projections indicated the storm would potentially miss most of the refineries originally thought to be in its path. However, the average pricing movement for the week was sufficient for the interruption formula criteria to be met for all fuels regulated by the Board, except gasoline.

PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established. The Board regularly sets maximum fuel prices on the 15th of each month.

For the interruption formula to be used on gasoline and distillate fuels, the Board requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. The formula is not used for five market days after new prices are set under regulation, or if it interferes with the impending price change made each month.

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