

## **MEDIA RELEASE**

### **Gasoline prices increase**

Effective 12:01 a.m. Saturday, Oct. 8, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum allowable price for all grades of gasoline by 4.4 cents per litre (cpl) in Newfoundland and Labrador.

Barring any extraordinary events, there will be no further price changes for fuels regulated by the Board until its regularly scheduled adjustment Oct. 15.

This is the second time in as many weeks the Board has used its interruption formula to increase maximum gasoline prices because of continuing market volatility resulting primarily from the aftereffects of Hurricane Katrina and Hurricane Rita. While refined fuel prices on the commodities exchange experienced some downward movement during the latter part of this past week, higher market prices at the outset of the period, more than compensated for these lows.

Regulated fuel prices are adjusted on the 15<sup>th</sup> of each month using the average daily prices for finished petroleum products as listed on NYMEX (New York Mercantile Exchange). In the event of volatile behaviour between normal price adjustments, the interruption formula is used by the Board based on specific criteria to make upward or downward interim price changes as warranted in the marketplace.

### **MARKET UPS/DOWNS**

NYMEX prices Sept. 28-30, the beginning of this pricing period, demonstrated how vulnerable the market continued to be as a result of the recent hurricanes in the Gulf of Mexico. Gasoline and home heating fuels traded near their highest levels since Hurricane Katrina struck and shut a good percentage of U.S. crude oil and fuel production.

Ongoing concern for limited refinery capacity remains prominent, as closed and damaged refineries are taking some time to resume operations, and existing facilities are attempting to rebuild depleted gasoline supplies as well as produce and stockpile heating fuels for the upcoming colder months in the northern hemisphere.

Market prices also experienced some periods of relief in recent days. An increase in U.S. imports of fuel and crude oil created a slight ease on the market, which was enhanced by news that the U.S. Strategic Petroleum Reserve, the world's largest supply of emergency crude oil, would release additional fuel to help offset any production shortages to the market. It was also reported that high fuel prices are likely curbing fuel consumption and decreasing demand.

## **BACKGROUNDER**

For the interruption formula to be used on gasoline, diesel or furnace/stove oil, price fluctuations on the New York Mercantile Exchange (NYMEX) must exceed an average of  $\pm 3.5$  cpl over a five-day period. Adjustments are then made where price increases or decreases are warranted. In the case of residential propane, Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a  $\pm 5.0$  cpl change over five days.

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