

MEDIA RELEASE

Gas prices decrease

Effective 12:01 a.m. Sunday, Oct. 23, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will reduce the maximum price for all grades of gasoline in Newfoundland and Labrador (NL) by 4.1 or 4.2 cents per litre (cpl) – depending on the HST rounding effect for a particular pricing zone.

There will be no change to the maximum prices for other fuels regulated by the Board, including automotive diesel, furnace/stove oil or residential propane used for home heating purposes. The interruption formula criteria used by the Board for interim price adjustments have been met for gasoline, but not at this time for other petroleum products.

Maximum fuel prices in this province are based on their average market performance on NYMEX (New York Mercantile Exchange), and as such, factors that recently led the Board to announce an 11.6 cpl decrease in NL gasoline prices Oct. 13 have consistently demonstrated an overall downward trend and permitted the Board to make to further price decreases for gasoline.

While NYMEX continues to reflect a downward pricing movement for gasoline, the fuel-trading marketplace remains vulnerable to events that may still impact fuel supplies. The Board cautions that the current downward trend may experience some fluctuations until market conditions stabilize and lower prices can be sustained over a longer period.

Included in the factors that have eased concerns on the commodities market were:

- the market was uneasy at the outset of the latest weather system, Hurricane Wilma, and its potential impact on fuel supply disruptions in the southern U.S., but this changed as the projected path of the storm veered away from the recovering refineries and production platforms in the Gulf of Mexico;
- refineries that were shut or damaged by Hurricanes Rita and Katrina are gradually reopening, though many are still down, and this had led to an increase in production output and available refined fuel supply to the market;
- inventory data showed that consumption for motor fuels has declined as a result of ongoing high prices, and several energy watchers have cut their forecast for fuel demand this year for the same reason; and,
- the latest report from the U.S. Energy Information Administration (EIA) released this past Wednesday showed gasoline supplies have rebounded and are now back into the average range.

BACKGROUNDER

Regulated fuel prices are adjusted on the 15th 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.

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 ± 3.5 cpl over a five market business-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 ± 5.0 cpl change over five days.

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