

MEDIA RELEASE

Diesel, furnace/stove oil prices see further reductions

Effective 12:01 a.m. Saturday, Nov. 5, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will again lower the maximum prices for distillate fuels (automotive diesel and furnace/stove oil) in Newfoundland and Labrador (NL) because the interruption formula criteria were met.

In the case of automotive diesel, maximum prices will decrease by 6.3 or 6.4 cents per litre (cpl) – depending on the HST rounding effect for each pricing zone, making it the second reduction made by the Board for this fuel in a week. Maximum furnace/stove oil prices, last adjusted downward Oct. 25, will decline by 3.63 cpl.

The criteria for an interruption were not met for other fuels regulated by the Board, including all grades of gasoline and residential propane used for home heating purposes, and their maximum prices will not be adjusted at this time.

The steady decline in distillate fuel prices on NYMEX (the New York Mercantile Exchange) continues to impact the regulated price of these products in NL. While the average pricing movement throughout recent weeks for distillate fuels has not been as dramatic as gasoline, fluctuations have nevertheless been significant. Recent milder-than-normal temperatures along the northeastern seaboard, where nearly 80 per cent of the heating fuels are consumed, have contributed to an ease in demand for distillates and helped lower market prices. Other factors, such as increased U.S. imports of refined fuels to offset potential shortages and a rise in refining capacity as more facilities damaged/shut in the Gulf resumed operation, have also assisted in rolling back market prices.

Market inventory data for distillate supplies, however, still reflects a figure in the lower end of the average range for this time of year. One major reason for this has been the recent boost in refinery production to replenish supplies of gasoline that were depleted by hurricanes in the Gulf of Mexico. During this time of year, production at these refineries normally shifts from gasoline to heating fuels. Despite this positive trending in furnace/stove oil prices, consumers should remain aware that price stability for these products in the colder months ahead will depend on the severity of the winter and the ability to keep these inventories reasonably supplied and healthy.

BACKGROUND

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 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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