

MEDIA RELEASE

Some maximum regulated fuel prices set for slight increases

Effective 12:01 a.m. Monday, March 6, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will use the interruption formula to increase the maximum prices of several fuel products in Newfoundland and Labrador (NL), except in areas where a price freeze is in effect.

The maximum price for all types of gasoline will rise by 3.4/3.5 cents per litre (cpl) – depending on the HST rounding effect in each pricing zone. Also increasing are No. 2 blend furnace oil by 2.78 cpl and stove oil by 3.18 cpl. The interruption formula criteria (see Backgrounder) were not met for automotive diesel or residential propane used for home heating purposes, and there will be no changes to their maximum prices at this time.

Refined fuel products continued to demonstrate unpredictable behaviour on NYMEX (the New York Mercantile Exchange), as the commodity markets reacted differently, often on a daily basis, to contradictory forces occurring in the global marketplace.

When specifically looking at gasoline, increased demand in the U.S. (the world's largest consumer of fuel), during a time when many refineries are shutting for maintenance, has sparked concerns about the availability of future supply as the traditional peak driving season approaches. As for the distillate fuels (furnace/stove oil and automotive diesel), inventories are in a relatively healthy position; however, reports reflected a decline in stockpiles during this past week because previously lower demand levels have started to increase resulting in market price hikes.

Other factors that have affected refined fuel prices include:

- *EIA (Energy Information Administration) report:* the weekly U.S. inventory data report released Wednesday held mixed news about the status of fuels and their stockpiles – gasoline inventories showed an increase and are well above the average range, and distillates, also still above the average range for this time of year, reported a decrease;

- *Iran:* uncertainty about Iran's plans for nuclear enrichment have created fuel-market instability regarding possible sanctions against this country should it be referred to the United Nations' Security Council, as well as fears that Iran would retaliate such a move by cutting off fuel supply availability to the market;

- *Nigeria:* ongoing concerns about possible further disruptions in this oil-rich region are being reflected on the fuel-trading market - civil and militant unrest have plagued the country for some time, which has diminished its output by nearly one-fifth and there have been threats to cut off more output;

- *Saudi Arabia:* a foiled attack on one of this oil-rich country's processing complexes created a fast-paced upward swing in fuel prices prior to news that output wasn't affect, but continued unrest has meant insecurity for fuel traders;

- *Iraq:* the possibility of civil war has furthered decreased the likelihood of the recovery of fuel exports, which have been hindered for some time, from this region;

- *Cold weather*: After a long period of milder-than-average temperatures, colder weather has set into regions where home heating fuel consumption is traditionally higher and put pressure on existing distillate supplies; and,

- *Refiner production*: Reports indicate that there is reduced refiner capacity, as many U.S. refineries have shut for maintenance, which in turn has lowered fuel output and production.

BACKGROUND

Regulated fuel prices are adjusted on the 15th of each month using the average daily prices for most 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, figures are derived from pricing activity at the Sarnia rack, and the interruption formula criteria for this fuel differ from the other regulated petroleum products. Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a ± 5.0 cpl change from the previously established base price under regulation.

- 30 -

Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837.