



NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES  
Petroleum Pricing Office



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## MEDIA RELEASE

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### Maximum home heating fuel prices decline

Effective 12:01 a.m. Tuesday, Sept. 5, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will lower the maximum prices for furnace/stove oil by 2.64 cents per litre (cpl) in Newfoundland and Labrador (NL).

There will be no changes to the maximum prices of other regulated fuels in NL at this time.

Market prices for distillate fuels, which include furnace and stove oil, have also been subjected to the same downturn recently experienced on NYMEX (New York Mercantile Exchange) for gasoline and automotive diesel.

Helping to lower distillate prices was another report from the U.S. Energy Information Administration (EIA) of improved distillate inventories keeping levels above the average range in advance of the home heating season. Added to that positive news was the relief that a recent tropical storm bypassed much of the oil infrastructure in the Gulf of Mexico, where memories of the devastation caused by hurricanes last year are still fresh, and weather forecasters have lowered their predictions of the number of hurricanes this season. While this reality remains uncertain, the reaction saw market prices decrease in the short term.

Also influencing the market prices for refined fuels was news that energy groups further lowered their forecasts for global demand because of an economic slowdown, as well as possible economic sanctions in relation to Iran's uranium enrichment program which may not be immediately forthcoming. Future pricing remains uncertain as volatility can play a role in either boosting or diminishing pressures on the markets. The Board is prepared to make further changes if necessary, either downward or upward, as long as it is supported by market data and in keeping with the regulatory process.

### BACKGROUNDER

**Fuel-price regulation:** Maximum regulated fuel prices are adjusted on the 15<sup>th</sup> of each month using the average daily prices for most finished petroleum products as listed on NYMEX (New York Mercantile Exchange), plus the appropriate conversions using the daily noon-day exchange rate, wholesale and retail margins, as well as taxation, when applicable. 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.

***Interruption formula:*** For the interruption formula to be used on gasoline, diesel or furnace/stove oil, price fluctuations on NYMEX must exceed an average of  $\pm 3.5$  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  $\pm 5.0$  cpl change from the previously established base price under regulation.

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