



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



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## MEDIA RELEASE

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### **Diesel, furnace/stove oil prices decline for third time in as many weeks**

Effective 12:01 a.m. Friday, Sept. 22, 2006, the maximum prices for distillate fuels (automotive diesel, furnace/stove oil) will be lowered by the Public Utilities Board, through its Petroleum Pricing Office, in Newfoundland and Labrador (NL) using the interruption formula.

Maximum prices for these fuels will decrease by the following amounts: ultra low-sulphur diesel (ULSD) in Newfoundland by 8.1/8.2 cents per litre (cpl) – depending on the HST rounding impact; low-sulphur diesel (LS No. 2) in Labrador by 8.4 cpl; and, furnace/stove oil by 3.82 cpl.

The interruption formula criteria (see Backgrounder) were not met for the other fuels regulated by the Board, including gasoline and residential propane used for home heating purposes, and there will be no changes to their maximum prices at this time.

Since Sept. 2, the Board has reduced regulated maximums for diesel in NL by as much as 15 to 16 cpl, while furnace/stove oil prices have decreased by more than 8.0 cpl since Sept. 5. This recent downturn in local prices is in keeping with a decline in refined fuel prices that has continued on NYMEX (New York Mercantile Exchange) for the past several weeks and also saw maximum gasoline prices in this province slip by nearly 20 cpl since Aug. 15.

Despite a rebound in commodity prices early this week, caused in part by supply concerns resulting from a delay in production at a major oil platform in the Gulf of Mexico, the average overall activity since the last scheduled mid-monthly adjustment was sufficient to warrant these drops. Distillate inventories in the U.S., the world's largest consumer of fuel, are relatively healthy for this time of year and remain above the average range. This, in turn, resulted in an ease in concerns about meeting the anticipated increase in demand as the colder weather sets in.

Geopolitical events and positive supply/demand forces have contributed to favourable market conditions in recent weeks. An apparent compromise concerning Iran's nuclear enrichment program, declining global demand and limited hurricane activity affecting major oil-producing regions, such as the Gulf of Mexico, have all combined to lower market prices for refined fuels.

#### **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 from the last benchmark for each fuel under regulation 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 benchmark under regulation.

***HST impact:*** The rounding effect of the HST (Harmonized Sales Tax) may create a slight variation in the magnitude of price changes in each zone for automotive fuels. Please refer to the price tables related to this announcement to determine the maximum price for your area.

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