



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



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## MEDIA RELEASE

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### Maximum residential propane prices decline

Effective 12:01 a.m. Tuesday, Oct. 3, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will lower the maximum price of residential propane used for home heating purposes by 3.6 cents per litre (cpl) where applicable in Newfoundland and Labrador (NL).

The criteria for the Board's interruption formula (see Backgrounder) were not met for any of the other products under regulation, including gasoline, automotive diesel and furnace/stove oil, and there will be no changes to their maximum prices at this time.

This decrease for residential propane follows the lead of other refined products that have shown marked declines on the commodities exchange in recent weeks, particularly natural gas. Factors affecting propane prices are primarily related to the recent pricing behaviour of natural gas. A strong movement in the pricing of one product can often, though not in step, impact the pricing of the other.

Week-over-week reports from the U.S. Energy Information Administration ([EIA](#)) show that propane inventories have been on a steady incline since the end of April of this year and are currently in the upper end of the average range. Despite forecasts of the onset of colder weather soon, analysts state that current supplies are well within the comfort zone prior to the beginning of the peak demand heating season. This has created a sense of ease that future demands can be met based on existing conditions.

This marks only the fifth time since its introduction in 2003 that the interruption formula has been used to change residential propane prices outside of the regularly scheduled mid-monthly adjustments, with previous movements tied at two increases and two decreases. Further adjustments to the maximum prices to the other regulated fuels will only occur as warranted by market conditions or extraordinary circumstances.

#### 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.

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***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.

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