

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

MEDIA RELEASE

Thursday, June 7, 2007

Fuel prices set to decrease; price freeze lifted in Zone 11

The Public Utilities Board, through its Petroleum Pricing Office, will make its scheduled biweekly adjustment to the maximum prices for all fuels under regulation in Newfoundland and Labrador (NL) effective 12:01 a.m. Thursday, June 7, 2007, except in areas under a price freeze.

The maximum prices for all fuel products will see decreases at this time, including:

- all types of gasoline by 3.9/4.0 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel in Newfoundland by 0.9/1.0 cpl, and low sulphur diesel in Labrador by 0.8/0.9 cpl;
- No. 2 furnace oil and stove oil by 0.49 cpl; and,
- residential propane used for home heating purposes by 0.5 cpl.

Between May 23 and June 5, the commodities exchange exhibited mixed behaviours in relation to gasoline pricing. Inventories in the U.S., the world's largest consumer, have been growing in recent weeks; however, they are at levels significantly lower than this time last year. Refinery output has been gradually rebounding from prior maintenance difficulties. Weather has again become a factor in commodity pricing, with the expectation of an active hurricane season in the Atlantic and the threat of a cyclone approaching the Persian Gulf early this week briefly boosting prices. The ongoing conflict in Nigeria (Africa's largest exporter) has also continued to affect the market along with other geopolitical pressures.

Despite being in the off-peak demand season and having inventories in the upper end of the average range, distillate (automotive diesels and furnace/stove oil) prices have been primarily propelled by growing diesel demand, as well as the numerous factors affecting other petroleum products.

PRICE FREEZE LIFT

Based on information concerning low gasoline inventories, and the resumption of a dependable supply of petroleum products by road, the Board will lift the annual price freeze for Zone 11 (Labrador South – Lodge Bay/Cartwright), effective 12:01 a.m., Thursday, June 7, 2007. Local service stations in this zone may run out of gasoline unless supplies are replenished. New product has to be purchased by the supplier at higher market prices than those in effect at the time of the price freeze last fall, and these higher costs are reflected in the increased maximum allowable prices now that the price freeze is lifted.

As a result, the maximum allowable price for gasoline in this area will increase by 21.2 cpl, while low sulphur diesel will move upward by 6.1 cpl and stove oil by 5.40 cpl. Increases of this

magnitude for gasoline are not unusual in this area as similar hikes were seen in 2004 and 2006 after the removal of the price freeze because of market conditions.

The price freeze in Zones 11a (Coastal Labrador South – Tanker supplied), 11b (Coastal Labrador South – Drum Delivery) and 14 (Coastal Labrador North) will remain in effect until it has been determined that fuel supply shipments can resume in these regions.

BACKGROUND

Policy on the price freeze was developed in consultation with local suppliers, and specifically affects Zones 11 (Labrador South – Lodge Bay/Cartwright) - formerly known as Zone 10a, 11a (Coastal Labrador South – Tanker Supplied), 11b (Coastal Labrador South – Drum Delivery) and 14 (Coastal Labrador North).

The freeze is primarily based on the difficulties encountered in supplying fuels to Labrador throughout the winter months when problems with shipping and road access disrupt the supply network. It is the Board's policy to consult with local suppliers to determine the level of fuel inventories available, the necessity to restore the supply network, and the possibility that access can be achieved via road or water in order to establish an appropriate time to lift the price freeze. Over the past two years the price freeze has been lifted during the first week in June for supplies dependent on road access and sometime later for those relying on the resumption of the shipping season.

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