

MEDIA RELEASE

Thursday, November 29, 2007

Interruption formula used to increase heating oils, diesel maximums

The Public Utilities Board, through its Petroleum Pricing Office, is required to use the interruption formula (IF) at this time to increase the maximum prices of distillate fuels (No. 2 blend furnace oil, stove oil and automotive diesel) in Newfoundland and Labrador (NL), except where prices are frozen.

Effective 12:01 a.m. Thursday, Nov. 29, 2007, the maximum prices will move as follows:

- automotive diesel by 5.5/5.6 cpl – depending on the HST rounding impact for a particular pricing zone;
- No. 2 blend furnace oil by 4.53 cents per litre (cpl) and stove oil by 4.88 cpl; and,
- there will be no changes to the maximum prices of gasoline or residential propane used for home heating purposes as the criteria for an interruption were not met.

This marks the first time since April 5, 2007 that the Board has used the IF to set interim prices in-between scheduled biweekly adjustments, and reflects the tremendous volatility occurring in the commodity markets at this time. Commodity market prices for distillates, which include diesel and heating fuels, are at their highest since the tracking of fuel prices began coincident with the start of regulation in 2001. As a result, the retail prices for distillate products are at record levels and understandably are a major concern for consumers in NL, particularly when entering the primary home heating season. To ensure adequate and sustained supply, however, maximum prices will continue to be set by the Board based on commodity market pricing. The Board notes the prices established in this province are maximums and retailers/wholesalers can sell fuel products below these maximums.

In looking ahead, price volatility is not likely to diminish in the short term. The onset of colder weather along the northeastern seaboard is contributing to the fear that higher winter demand and consumption will strain supplies that are already described as tight. In addition, fluctuations in the wavering Canadian dollar will continue to influence fuel prices. Despite high prices having reduced growth estimates into the coming year, overall global demand for crude oil and its refined products remains strong, placing an overriding pressure on prices.

BACKGROUNDER

Interruption formula: The criteria for the Board's IF, which is used to adjust for market volatility on the Thursday between scheduled pricing adjustments, include:

- a. For gasoline, diesel or furnace/stove oil, price fluctuations on NYMEX (New York Mercantile Exchange) must exceed an average of ± 4.0 cents per litre (cpl) over a seven-day period from the last regulated benchmark price for each fuel.

b. For residential propane, figures are derived from pricing activity at the Sarnia rack that is published in Bloomberg's *Oil Buyer's Guide*. Weekly figures must exceed a ± 5.0 cpl change from the previously established benchmark under regulation.

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