

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

MEDIA RELEASE

Thursday, December 20, 2007

Maximum gasoline prices drop slightly; other fuels to increase
Schedule for price changes during the holidays

Effective 12:01 a.m. Thursday, December 20, 2007, the Public Utilities Board, through its Petroleum Pricing Office, will set new maximum prices for all fuels under regulation in Newfoundland and Labrador (NL), as per its scheduled biweekly adjustment in all regions except those under a price freeze.

The following represents the changes for maximum prices during the Dec. 5-18 pricing period:

- all types of gasoline will decrease by 0.6/0.7 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- automotive diesel will increase 0.4/0.5 cpl;
- No. 2 blend furnace oil will rise 1.11 cpl, as will stove oil by 1.29 cpl; and,
- residential propane will increase 0.5 cpl.

Outside of Dec. 12, when market prices for all refined products experienced a significant jump driven by larger-than-expected inventory declines for distillates (furnace/stove oil and diesel) and a plan by various central banks to boost the U.S. economy, market data over the past two weeks used by the Board to establish maximum fuel prices has remained relatively stable.

Gasoline inventories have rebounded slightly and off-peak driving demand has been tempered possibly due to ongoing high prices. The fuel markets overall are considered to be in a tight position given global demand, along with seasonal pressure and dependency, particularly with respect to distillates. With distillate prices primarily tied to weather patterns at this time of year, it will be important to see how the early start to winter being experienced throughout North America will affect the supply and price of heating fuels in the coming months. Also the weakening economic condition in the U.S. (the world's largest consumer of fuel and energy), the recent engagement of Turkish troops in Iraq (OPEC's second largest oil producer), and the value of the Canadian dollar are all additional factors that may impact commodity markets into the new year.

HOLIDAY SCHEDULE

Christmas week: Under the regulatory schedule followed in NL, next week is the interim week when maximum prices may experience a change should the interruption formula criteria be met. This possible change, were it to occur, would normally take effect 12:01 a.m. Thursday, December 27, 2007. However, the Boxing Day holiday falls on a Wednesday, which is the scheduled notification day for all retailers, wholesalers and resellers in the province. Therefore, to ensure an orderly adjustment during a time when businesses are closed or staff is reduced during the holidays, the Board will make some slight changes to the pricing schedule for that week only:

- ◆ Notifications to retailers, wholesalers and resellers will be issued on Thursday, Dec. 27, 2007 instead of the usual Wednesday notices. More specific details regarding this matter will be sent to these stakeholders in the coming days.

- ◆ If an interruption pricing adjustment is required, it will come into effect 12:01 a.m. Friday, Dec. 28, 2007.

January 1, 2008: On Dec. 18, 2007, the federal government enacted legislation to lower the Goods and Services Tax (GST) throughout the country on January 1, 2008. It will mean that all goods and services to which the GST is applied will see a one percentage point decrease. Newfoundland and Labrador subscribes to the Harmonized Sales Tax (HST), along with Nova Scotia and New Brunswick, which combines the six per cent federal tax component with the Provincial Sales Tax (PST). Therefore, the HST will decrease from 14 per cent to 13.

Fuel-price regulation in NL currently has the HST included in the listed maximum prices for all types of gasoline and automotive diesel, a universally accepted practice in the industry, whereas the maximum prices for home heating fuels are listed excluding taxes. Consequently, the Board will issue notification regarding the change to maximum automotive fuel prices to be effective Jan. 1, 2008 reflecting this one per cent reduction.

It should be noted that the tax reduction will also be applied in zones where the price freeze is in effect (Zone 11 – Labrador South: Lodge Bay/Cartwright; Zone 11a – Coastal Labrador South: Tanker Supplied; Zone 11b – Coastal Labrador South: Drum Delivery; and, Zone 14 – Coastal Labrador North).

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Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837.
E-mail: mhicks@pub.nl.ca, or visit the Board's website: www.pub.nl.ca.