PPO MEDIA RELEASE

PPO maximum gasoline prices decrease on Jan. 04, 2005

The Public Utilities Board's Petroleum Pricing Office (PPO) will use the interruption formula to decrease the maximum allowed prices for all grades of gasoline sold in Newfoundland and Labrador (outside of areas that are currently under a price freeze). Effective 12:01 a.m. Tuesday, Jan. 04, 2005 the maximum price for all types of gasoline will decrease by 3.0 cents per litre (cpl). As a reminder, the prices set by the PPO are maximum prices, and retailers and wholesalers can sell below the maximum for gasoline and other regulated products at any time.

David Toms, PPO director (acting), attributes economic fundamentals to be behind this current decrease. Mr. Toms said, "Overall, gasoline inventories have lately remained higher than expected for this time of year and this has resulted in a recent trend of downward pressure in gasoline commodity prices from previous high points in the markets." "As well," he continued, "if gasoline inventories remain in the high range of what is expected by market participants, pressure will be toward lower prices than it would otherwise be from the other factors impacting on the market and the pressures these other factors are exerting."

"In accordance with Sect. 14 of the regulations for the *Petroleum Products Act*, regulated pricing takes into account the period from when prices were last changed – in this case, from Dec. 13 to Dec. 30 - and not just isolated events," Mr. Toms noted. "Since we last set prices effective for Dec.15, 2004, gasoline commodity prices continued moving below the PPO benchmark. Interruption formula criteria were met, thus justifying an adjustment downward in maximum allowed gasoline prices."

Mr. Toms emphasized that should market prices for any of the regulated products move such that the criteria for the interruption formula are met, the PPO will act accordingly and either decrease or increase maximum prices, depending on commodity market behaviour.

"This formula is used in an objective, consistent and fair manner for price increases and decreases," said Mr Toms.

MARKET MOVERS

As always, prices are affected by both supply and demand factors. On the demand side, less pressure came from China and other markets resulting in decreased pressure on prices. On the supply side, increased output from OPEC countries with fewer disruptions in the flow of oil to and through refineries have also added downward pressure on prices.

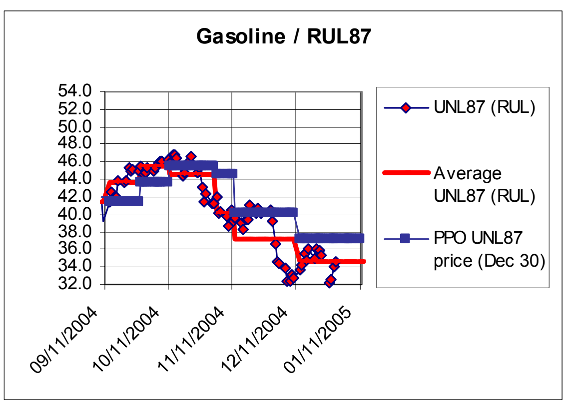
Upward pressure on fuel prices resulted from lower than expected supplies of distillate fuels (home heating fuel and diesel) with the onset of winter. Lately, however, inventories for petroleum products have rebounded somewhat. Many refineries that were shut down for routine maintenance have returned to normal operations and production rates are at high levels and, at the same time, relatively mild weather in the Atlantic region and along the northern eastern U.S. (the largest area of home heating oil consumption) resulted in recent demands for these products at less than anticipated levels.

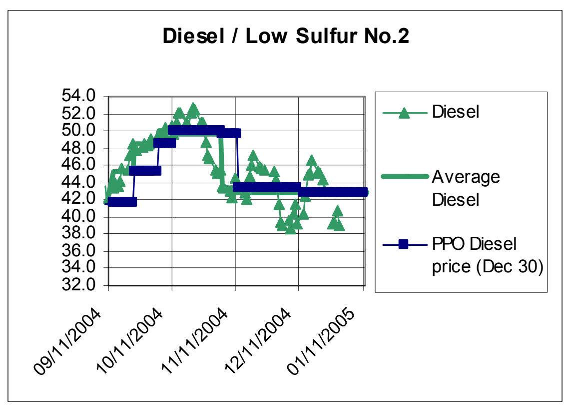
Internationally, OPEC (Organization of Petroleum Exporting Countries) members have recently been pumping oil at higher rates than at any time in 25 years in order to meet a thriving demand. This has secured traders' concerns about available supplies on the market.

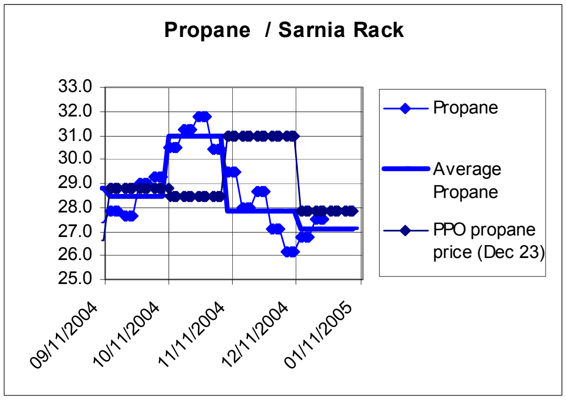
BACKGROUNDER

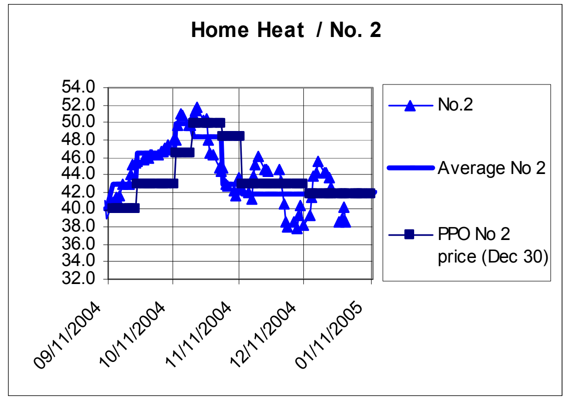
PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established. Regularly scheduled price adjustments are usually based on the period which is between the 12th of one month and the 11th of the following month, with prices then coming into effect on the 15th. If there is an adjustment outside scheduled pricing changes, any adjustment must be based on the average of commodity prices in the period since prices were last established.

Illustrated in the following four graphs are the market-price performances of products regulated by the PPO, for recent regularly scheduled periods up to Dec. 30, 2004:









In order to use the interruption formula to adjust maximum prices for gasoline and distillate fuels, the PPO requires the average of commodity market prices over five business trading days to be 3.5 cpl greater or less than the current PPO benchmark prices. Propane requires +/- 5.0 cpl over five market days.

The PPO uses an interruption formula whenever market prices for regulated fuels meet certain criteria, provided making the early adjustment doesn't interfere with the regular pricing schedule. Because maximum prices are set from when prices were last established, and five days are needed to set prices, the PPO interruption formula can not be used to adjust the price caps in the period before the first five commodity trading days or in the latter part of a regular period if the criteria were not met before the final five trading days.

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