

MEDIA RELEASE

Petroleum Pricing Office interrupts regular pricing schedule for furnace oil

Effective 12:01 a.m. Saturday, March 5, the maximum price of No. 2 blend furnace oil will increase by 1.40 cents per litre (cpl) in all markets in Newfoundland and Labrador, except in areas where a price freeze is in effect.

The Public Utilities Board's Petroleum Pricing Office (PPO) is making this change because the criteria for the office's interruption formula (see Backgrounder) were met.

However, the same criteria were not met for any other fuels regulated by the PPO, and no changes will be made to the maximum prices of these products at this time.

David Toms, PPO director (acting), explained that the PPO is faced with the volatility that continues to be reflected in the New York Mercantile Exchange (NYMEX) commodities market-pricing performance of various refined fuels, particularly distillates (furnace/stove oil and diesel).

Making this pricing adjustment for furnace oil falls in line with how the other distillate fuels have recently behaved on the commodities market, which led to the Feb. 28 price increase for stove oil and diesel in Newfoundland and Labrador.

Distillate fuel prices have been significantly affected by bouts of colder-than-average weather in regions, such as Europe, the U.S. northeast and Atlantic Canada, where consumption of these products is traditionally considered high. Further to this, winter worries have also heightened on concerns that distillate inventories have declined further and may not be able to comfortably meet the needs for the remainder of the home heating season.

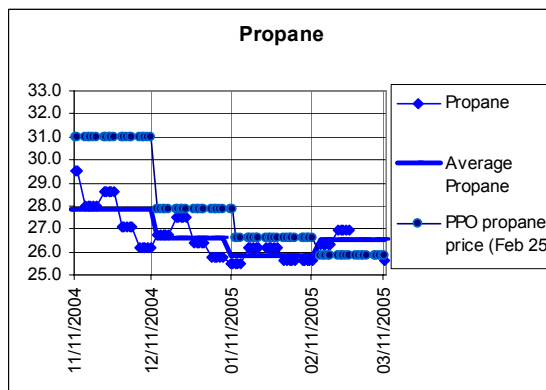
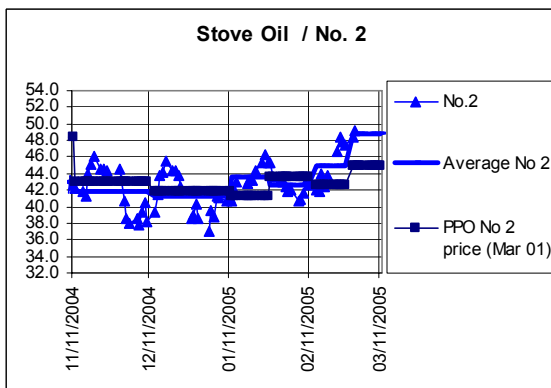
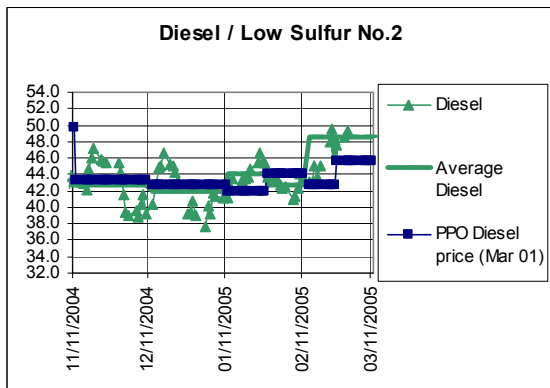
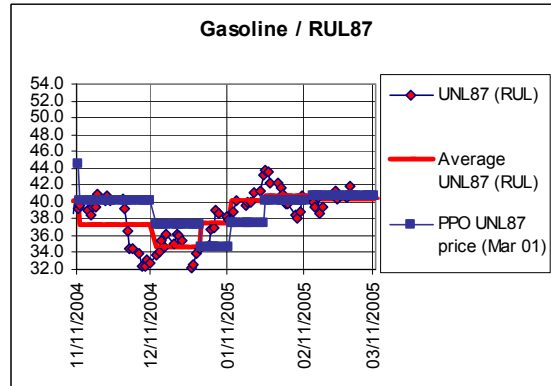
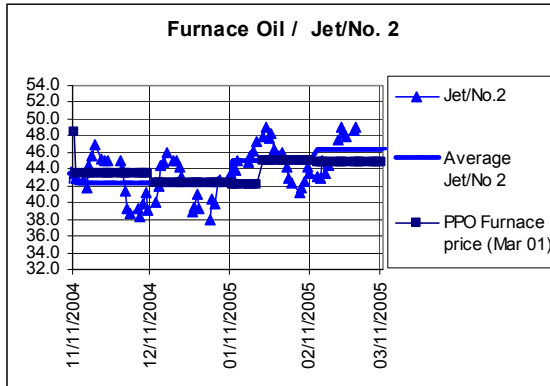
Also continuing to place market pressures on crude oil and its various products is the upcoming OPEC (Organization of Petroleum Exporting Countries) meeting in Iran March 16, where a decision will be made on whether to maintain or cut production quotas.

BACKGROUNDER

PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established.

For the interruption formula to be used on gasoline and distillate fuels, the PPO requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. As well, the interruption formula will only be used five days after the last pricing adjustment, and as long as making the change doesn't interfere with the regular pricing schedule.

Illustrated in the following five graphs is the market-price performance of No. 2 blend furnace oil, and other fuels regulated by the PPO, for recent pricing periods up to March 1, 2005, with the exception of residential propane (Feb. 25):



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