

MEDIA RELEASE

Petroleum Pricing Office sets maximum fuel prices effective March 15

Effective 12:01 a.m. Tuesday, March 15, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) is changing prices in accordance to its scheduled mid-month pricing adjustment for all fuels it regulates, except in regions where a price freeze is in effect.

On this date, the maximum price for all types of gasoline, which was last set Feb. 15, will increase by 1.8 or 1.9 cents per litre (cpl) – depending on the rounding-off impact for a particular pricing zone. In the case of distillate fuels, No. 2 blend furnace oil, last adjusted March 5, will rise by 3.22 cpl and diesel by 0.1 cpl, while stove oil will decrease by 0.32 cpl (the two latter fuels were previously set March 7).

Residential propane used for home heating purposes, unchanged since Feb. 15, will move upward by 1.1 cpl.

David Toms, PPO director (acting), said fuel markets have demonstrated volatile behaviour in recent weeks, with upward pricing pressure continuing to impact on the fuels regulated by the PPO for most of this pricing period.

Three prevailing concerns contributing to the volatility on the market include OPEC's (Organization of Petroleum Exporting Countries) decision at its March 16 meeting in Iran regarding output quotas; the International Energy Agency report of stronger global growth in demand for fuel, particularly from the U.S. and China; and, the availability of future oil and gasoline supplies.

The U.S. Energy Information Administration (EIA) report released March 9 indicated that inventories for gasoline, though in a healthy position, and distillates, which are at the lower end of the average range for this time of year, had declined slightly over the past week based on industry data. The result was a failure to ease concerns about future supply for these products.

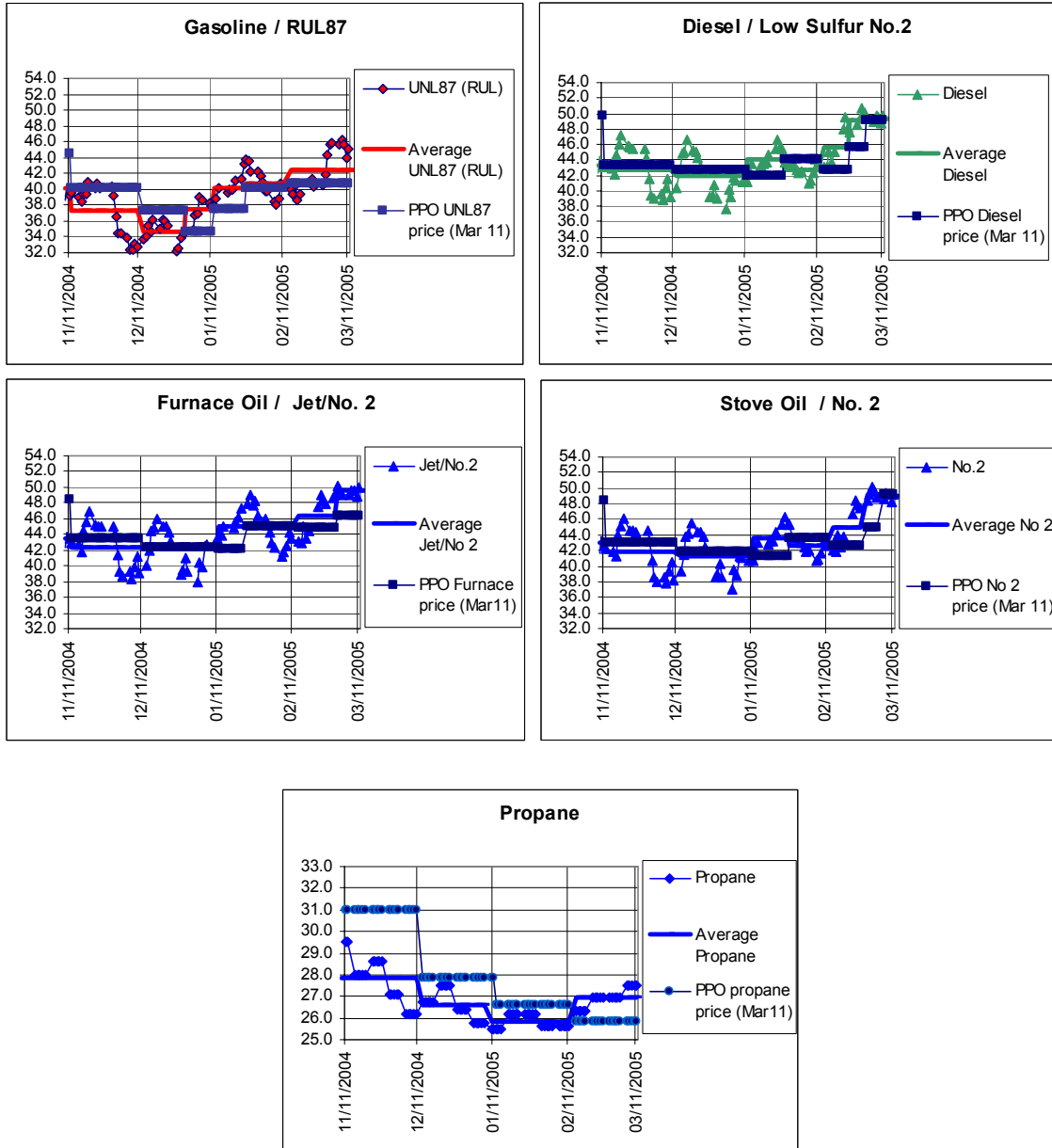
Besides the impact of scheduled and unscheduled refinery shuts, market prices for refined products also edged upward because of the high price of oil, which has firmly remained above \$50 US for a few weeks and came within pennies of breaking a previous trading record (inflation unadjusted) of \$55.67 US set last October.

The effects of this market activity have spread to all fuels, particularly those used for home heating. Cold weather swept through the U.S. northeast and Atlantic region, which are the high-consumption regions for these fuels, and remained a factor for increased demand forecasts in what's considered an already tight market. Besides the high price of oil, distillate prices have also been driven by the strong demand for diesel.

Conversely, propane inventories, which have declined in recent weeks, remain in the upper level of the normal range providing a sense of confidence on being able to meet the winter's demand. However, propane consumption was strong in some regions and this has created pressure on this fuel's market price.

BACKGROUND

PPO benchmarks are based on the average price of refined products. Illustrated in the following graphs are the market-price performances of the five products regulated by the PPO, for recent regularly scheduled periods up to March 11, 2005:



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.

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