MEDIA RELEASE

Petroleum Pricing Office uses interruption formula to move gasoline prices

Effective 12:01 a.m. Tuesday, March 22, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will increase the maximum allowable price for gasoline by 4.1 cents per litre (cpl), except in areas where a price freeze is in effect.

Following five days of escalating fuel prices on the New York Mercantile Exchange (NYMEX) commodities market, which included record prices for crude oil and gasoline, the criteria for the PPO interruption formula were met for this automotive fuel and a change is warranted at this time.

David Toms, PPO director (acting), said this pricing adjustment is further evidence of the heightened instability that continues to dominate the market. A major factor that's currently escalating the market prices for fuels regulated by the PPO is the high price of crude oil, which briefly topped $57 US per barrel last week and has remained above $50 US for nearly a month. This period represents the longest stretch for which crude oil has exceeded the $50 US threshold and is an unprecedented period in today's market.

One of the many reasons pointing to high oil prices was the momentum created during the days leading up to the March 16 meeting of the Organization of Petroleum Exporting Countries (OPEC) in Iran when market traders wondered what the cartel would do. The 11-member group, responsible for approximately 40 per cent of the world's oil, determined that it would boost its production targets in an attempt to ease high fuel prices. However, OPEC's announcement did little to allay fears that global demand for fuel would outstrip available supplies.

As well, recent forecasts from OPEC, the U.S. Energy Information Administration (EIA) and the International Energy Agency (IEA) indicated that global demand for oil and its fuel products will grow this year. Combine this with concerns about whether the availability of oil and specific refined products will keep pace with or meet the demand, and the resulting effect is increased pressure on fuel prices.

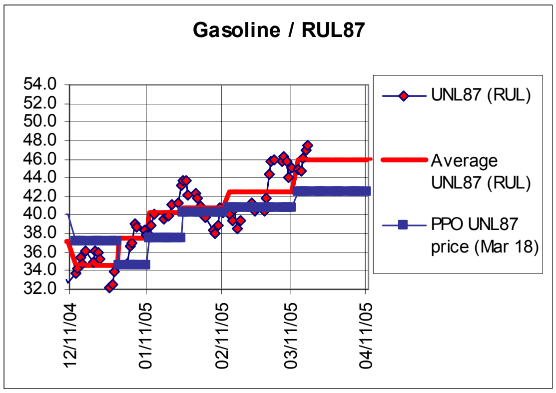
When specifically looking at gasoline, inventories are above the upper end of the average range for this time of year, though the largest declines since September were reported in the March 16 EIA report. Again, the high price of oil and anticipated demand are driving the prices of this fuel in advance of the traditional peak consumption season.

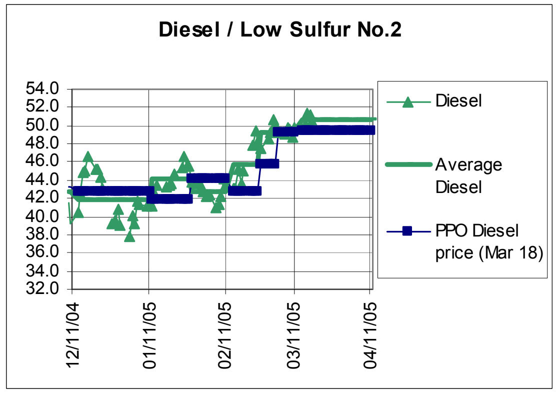
BACKGROUNDER

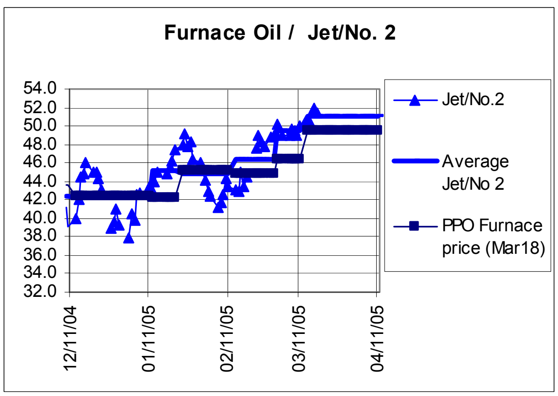
PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established. The PPO regularly sets maximum fuel prices on the 15th of each month.

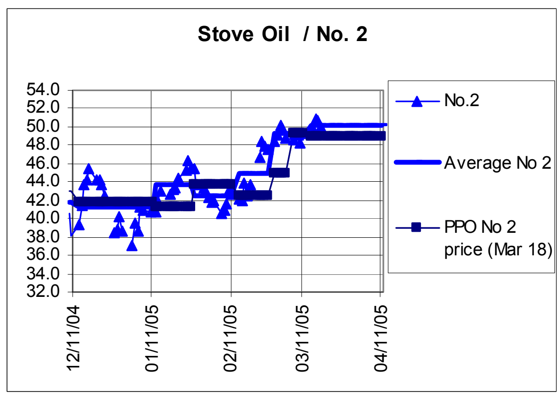
For the interruption formula to be used on gasoline and distillate fuels, the PPO requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. As well, the interruption formula will 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.

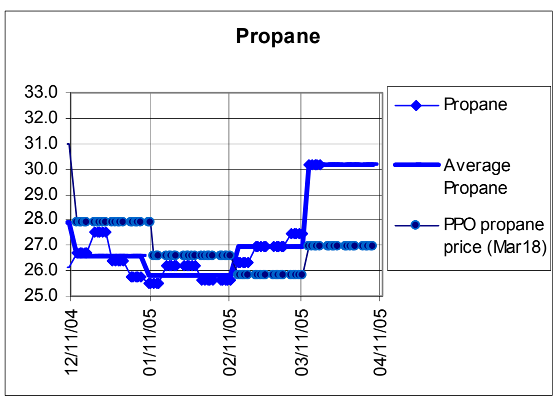
Illustrated in the following five graphs is the market-price performance of gasoline, furnace oil and other fuels regulated by the PPO for recent pricing periods up to March 18, 2005:











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