MEDIA RELEASE

Maximum fuel prices released June 15, 2005; price freeze lifted in coastal Labrador

Effective 12:01 a.m., June 15, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will adjust the maximum allowable prices for all regulated fuels in Newfoundland and Labrador, as well as lift the price freeze for Zones 11 (coastal Labrador south) and 14 (coastal Labrador north).

For areas that haven't been under a price freeze, the maximum price for all types of gasoline will decrease by 0.6 cents per litre (cpl), while the distillate family of fuels show nominal increases – home heating fuel (furnace/stove oil) by 0.19 cpl and diesel by 0.9/1.0 cpl (depending on the HST rounding effect for a particular zone). Residential propane used for home heating purposes will be reduced by 0.8 cpl.

In Zones 11 and 14, the removal of the price freeze (see Backgrounder), which has been in effect since Nov. 15, 2004, will mean that all types of gasoline in these zones will increase by 7.2 cpl, stove oil by 5.33 cpl and diesel by 8.7 cpl. The new maximum prices are calculated based upon the current benchmark price used for Zone 1 (Avalon) plus the costs associated with moving the products to these areas.

Though the commodities market has experienced significant upward and downward movements over this pricing period for petroleum products, maximum fuel prices in this province (with the exception of Zone 10a – Mary's Harbour to Cartwright where the price freeze was lifted June 1) have remained stable since they were last set on May 15.

David Toms, PPO director (acting), noted that speculation about the future supply of refined fuel continues to weigh heavily on the pricing behaviour of petroleum products on the New York Mercantile Exchange (NYMEX). It is the average of these NYMEX prices and not necessarily the price of crude oil on any given day that directly impacts regulation in this province.

"Increased prices in the commodity market during the last two weeks have offset earlier lows with the result being a relatively small adjustment in regulated prices, with gasoline and propane prices decreasing somewhat and distillate fuels (including furnace oil, stove oil and diesel) experiencing slight increases," explained Mr. Toms.

THE MARKETS

The beginning of this past pricing period saw declining market figures as reports from the U.S. Energy Information Administration (EIA) indicated that oil and gasoline supplies continued to be in a good position to meet the summer demand.

As the weeks advanced, underlying fears continued to be reflected in the market prices, as mixed reports came out of OPEC (Organization of Petroleum Exporting Countries) about what it was going to do with production quotas at its June 15 meeting in Vienna to deal with high fuel prices. Current output is near its highest in 25 years, leaving apprehension about spare fuel capacity and the type of oil that would be available to make the fuel products, despite current healthy U.S. crude inventories.

The peak demand season for gasoline is underway, and this is expected to create a draw on existing ample supplies. However, also on the demand side, it was reported that China, the second largest consumer behind the U.S., may be experiencing a slower energy demand growth, and there were expectations of slower global economic growth.

Diesel fuel is experiencing an increase in demand. This is of particular concern because No. 2 furnace oil and diesel (low-sulphur No. 2) are both members of the distillate family of fuels, and current inventories are in the lower end of the average range. Major draws on distillate fuels, should refineries not sufficiently rebuild inventories for these products in the coming months, could result in a tight supply later in the year when the northern hemisphere enters its winter season.

On the supply side, there were several refinery issues because of unscheduled shutdowns, or those undergoing routine maintenance and difficulties during restarts. Refinery output is at a high level in a tight market, creating anxiety that the market may not be able to compensate for many possible disruptions to supply or production. This could enhance the long-term price volatility of refined petroleum products.

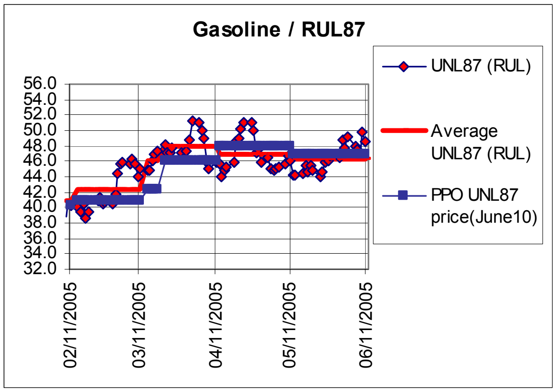
Also impacting market-pricing behaviour is the concern from forecasters about the impact hurricanes and tropical storms may have on oil production and supplies this season. The first major storm of the season, Arlene, made its way through the Gulf of Mexico last week reminding traders about the large amount of damage caused by numerous storms in that area last year and the lasting impact it had on the fuel market.

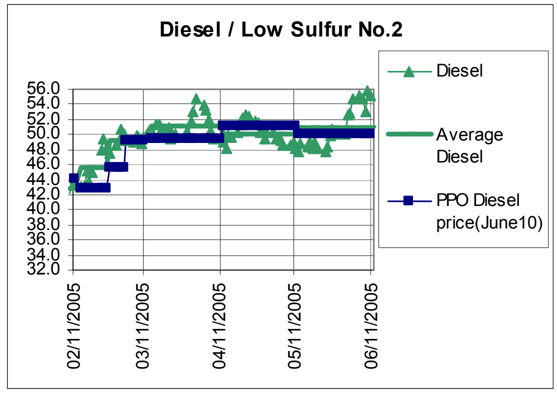
BACKGROUNDER

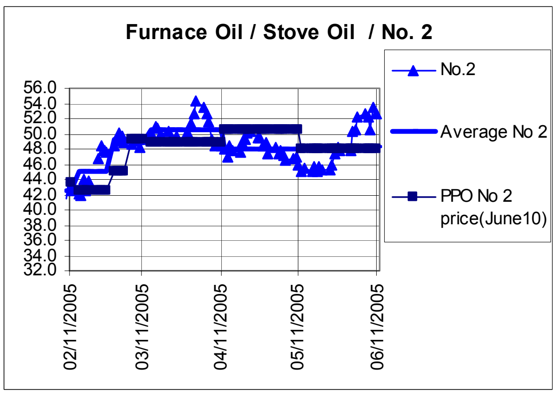
The price freeze in certain areas of Labrador was first established in November 2001, and was formulated based on extensive consultation with stakeholders.

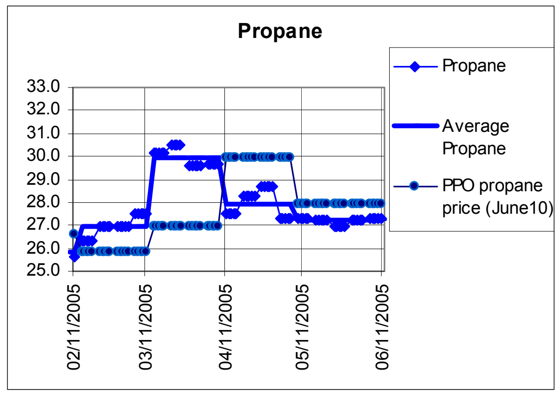
The freeze usually coincides with the beginning and end of the shipping season, and specifically affects PPO Zones 10a (Mary's Harbour to Cartwright – road connected), 11 (coastal Labrador south) and 14 (coastal Labrador north).

The PUB adjusts fuel prices on the 15th of each month using the average daily prices for finished petroleum products as listed on NYMEX (New York Mercantile Exchange). Illustrated in the following four graphs are the market-price performances of the products regulated by the PPO, for recent regularly scheduled pricing periods up to June 10, 2005:









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