

MEDIA RELEASE

Petroleum Pricing Office - Interruption formula used to reduce diesel prices

Effective 12:01 a.m., Monday, July 25, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will reduce the maximum prices of diesel fuel by 3.1 cents per litre (cpl) because the interruption formula criteria have been met for this product.

David Toms, PPO director (acting), said market pricing backed away from record highs on the New York Mercantile Exchange (NYMEX) for distillate products since prior to when prices were let set for July 15 in Newfoundland and Labrador, and it was only recently that the numbers moved sufficiently to require the use of the interruption formula for diesel.

MARKET ANALYSIS

Market fundamentals have played a role in decreasing refined products prices, such as the fact that U.S. (the world's largest consumer) inventories of crude oil, gasoline and distillates are at or above their five-year seasonal averages. While demand for diesel continues to be strong, increased refinery production of distillate fuel has helped inventories to grow in order to meet expected high demand later this year.

The commodities market also reacted favourably to news that the International Energy Agency (IEA), the Paris-based advisor on energy to 26 industrialized nations, cut its forecast for global demand growth this year because of slower-than-anticipated growth in the U.S. and China.

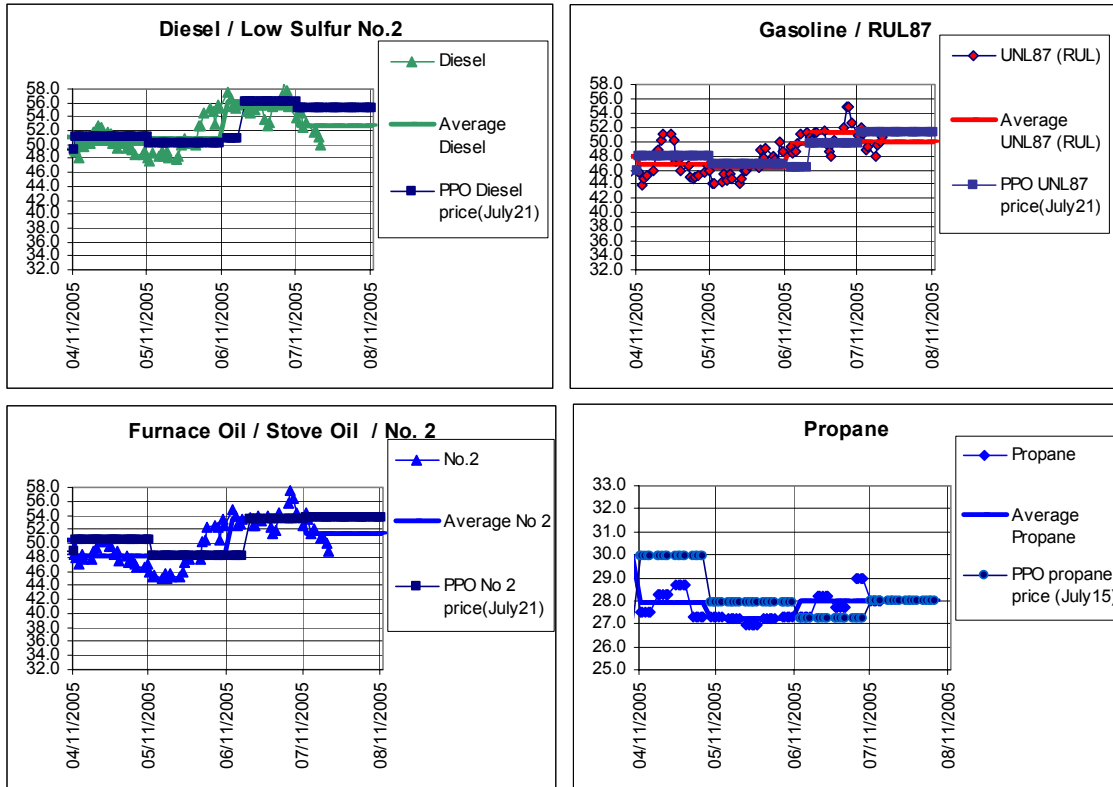
As well, OPEC (the Organization for Petroleum Exporting Countries) is reportedly continuing to pump at near capacity to assist in rebuilding inventories to meet demand later this year. However, as refineries continue to operate at near-maximum levels, many analysts believe there is still a lack of spare production capacity to meet the anticipated increase in demand. This underlying uncertainty about the future of the market makes any event, which would ordinarily have a minimal impact on refined product prices, become significant.

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. The formula is not used for five market days after new prices are set under regulation, or if it interferes with the impending price change made each month.

Illustrated in the following graphs is the market-price performance of diesel fuel, as well as other products regulated by the PPO for recent pricing periods up to July 21, 2005:



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