

MEDIA RELEASE

Prices decreased for diesel fuel, furnace/stove oil

Effective 12:01 a.m. Thursday, Sept. 15, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will make its regularly scheduled pricing adjustment for regulated fuels, except gasoline, in Newfoundland and Labrador (NL).

On the heels of the PPO recently announcing a decrease of 10.4 cents per litre (cpl) in maximum gasoline prices on Tuesday, Sept. 13, distillate fuels will now see a decline in their maximum prices effective Thursday, Sept. 15: diesel by 2.0 cpl and furnace/stove oil prices by 1.07 cpl. In the meantime, residential propane used for home heating purposes (which was last adjusted Aug. 15) will increase by 3.5 cpl.

Over the past several weeks, following an extraordinary period of fuel-price volatility on the New York Mercantile Exchange (NYMEX) resulting in prices spiking at record levels, subsequent declines in world market prices for refined fuels have translated into decreases in maximum prices for most regulated fuels in Newfoundland and Labrador.

On Tuesday, Sept. 13, the Board initiated an early adjustment of 10.4 cents per litre (cpl) in the maximum price of gasoline. This early response was to accommodate a significant price decrease on behalf of consumers comparable to the immediate action taken by the Board to raise prices in the face of industry concerns regarding fuel shortages and continuity of oil supplies arising from Hurricane Katrina. The prices for the remaining regulated fuels are now being adjusted in accordance with the Board's normal practice on the 15th of the month.

David Toms, PPO director (acting), said: "Reports of damage to infrastructure from Hurricane Katrina had a major effect on the commodity markets with uncertainty and speculation resulting in the significant spiking of prices. However, commodity prices have since retreated from record highs, but some impact from this disaster may be persistent in the market in the near future and for some time afterward. Fuel prices remain far from settled on an international level, and this situation will influence pricing in NL, in accordance with the *Petroleum Products Act*."

The Board will continue to monitor all extraordinary events impacting prices for petroleum products in Newfoundland and Labrador and take whatever action is necessary in the interest of all stakeholders. It is the Board's intent, however, at the earliest opportunity, to return to the normal process of adjusting prices, including gasoline, on the 15th of each month and using the interruption formula for interim adjustments as justified.

BACKGROUND

Assisting to relieve market prices for refined fuels has been the gradual recovery of oil production and refineries (10 per cent of U.S. refining capacity was shut down) from the

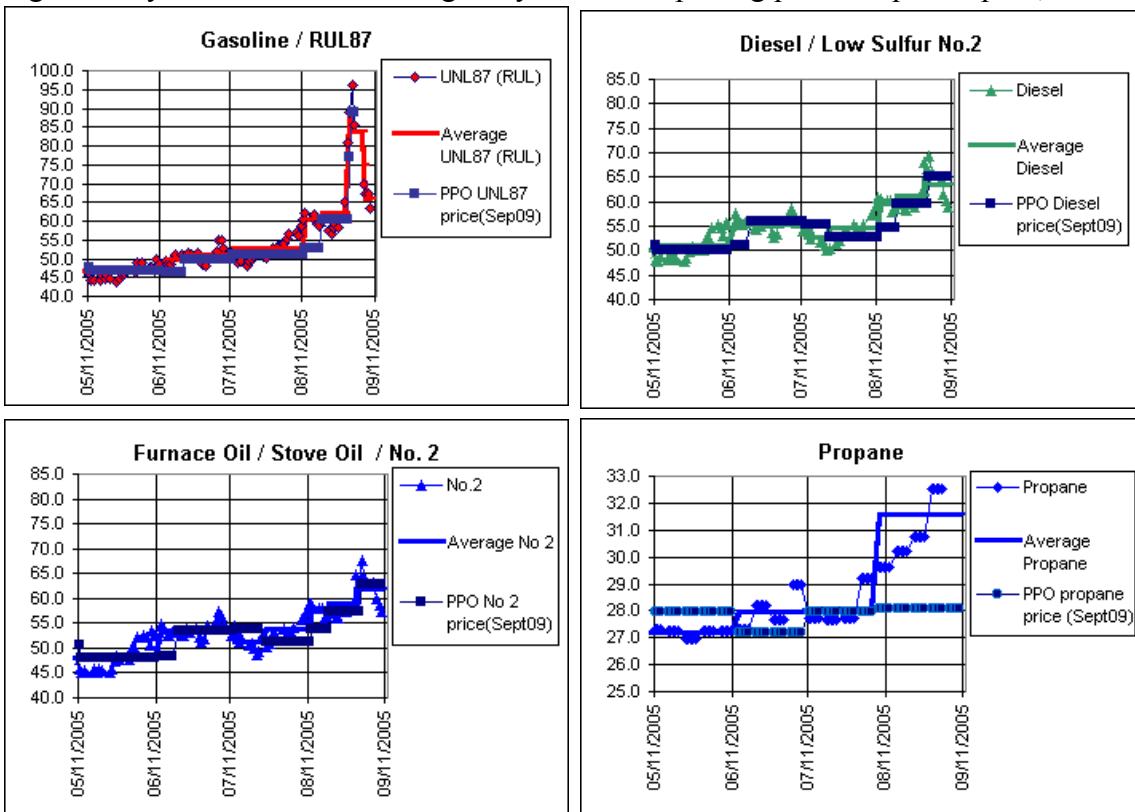
devastation of Hurricane Katrina (the largest disruption to supplies since 2003) in the Gulf of Mexico - a significant fuel source to the U.S.

As well, the commodities market during this pricing period was receptive to the news that inventory figures, released by the U.S. Energy Information Administration (EIA) Sept. 7, had declined less than expected in the wake of the hurricane's damage.

There has been a concerted effort from agencies, such as International Energy Agency (IEA) members, to release oil, gasoline and other refined products to the market to ease shortages. The U.S. Strategic Petroleum Reserve (an emergency cache of crude oil used to offset any interruption in petroleum supplies) was also set to release additional oil to the market. However, whether or not the available crude feedstock can be processed to sufficiently meet demands for products will be a key factor in future commodity pricing.

The IEA recently forecasted that the impact of Hurricane Katrina was expected to cut fuel consumption in the U.S., while global demand growth in 2005 was weakening as usage slows in high-consumption areas, including China and industrialized nations. This placed a downward market pressure on refined fuels.

The Board 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 Sept. 9, 2005:



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