MEDIA RELEASE

Further reductions for gasoline, diesel and furnace/stove oil prices

Effective 12:01 a.m. Tuesday, Sept. 20, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will reduce the maximum allowable prices for most regulated fuels in Newfoundland and Labrador (NL).

The maximum price for all types of gasoline will decrease by 6.5 cents per litre (cpl), making this the third decrease in as many weeks. Distillate fuels will also see declining maximum prices: diesel by 5.4 or 5.5 cpl (depending on the HST rounding effect for a particular pricing zone) and furnace/stove oil by 5.31 cpl.

There will be no change in the maximum price for residential propane used for home heating purposes.

Following the recent period of extraordinary pricing volatility for petroleum products, which saw the Public Utilities Board respond to these global conditions by taking actions outside its established pricing practices, the Board has now returned to its more normal pricing cycle. This resulted in the normal Sept. 15 price adjustment for all fuels (except gasoline, which was adjusted early on Sept. 13) and now the application of the interruption formula to reflect a further decline in prices as the markets adjust to changes since Hurricane Katrina.

David Toms, PPO director (acting), indicated: "There remains significant uncertainty in the global markets over the ongoing balance between supply and demand, particularly as it relates to the current tight situation regarding refinery capacity. With respect to future pricing adjustments, the Board will continue to monitor the markets for refined petroleum products on a daily basis and take whatever actions are necessary to address fairly the needs of all stakeholders in NL markets."

MARKETS

One of the many factors that have recently decreased refined fuel prices following the fallout from Hurricane Katrina, which shut down many refineries and damaged oil production, is the sign that high fuel prices may be slowing global demand growth.

OPEC (the Organization of Petroleum Exporting Countries), International Energy Agency (IEA) and the U.S. Energy Information Administration (EIA) have all cut their forecasts for demand estimates in light of recent fuel-price hikes and reduced global economic growth. As well, news from the EIA weekly inventory report released Sept. 14 shows gasoline demand, in particular, had declined assisting in the lowering of these market fuel prices.

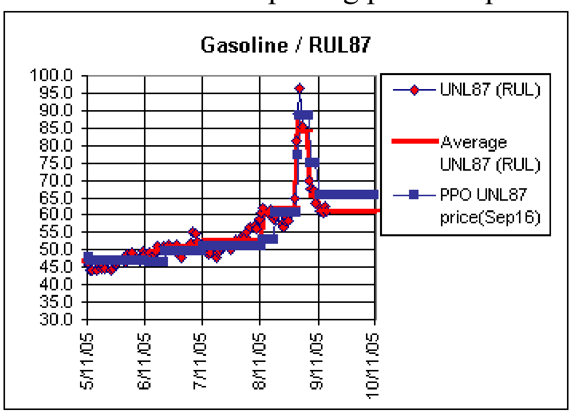
Also influencing the commodities market was the commitment from the IEA, the U.S. Strategic Petroleum Reserves, and possibly OPEC, to increasing the availability of oil in order to make petroleum products; however, fears of fuel shortages have not disappeared as refineries (nearly 20 per cent of U.S. refining capacity was affected by the latest hurricane) are taking longer than expected to get back into full production.

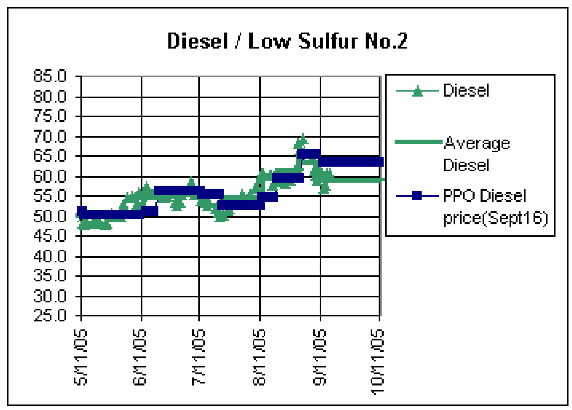
BACKGROUNDER

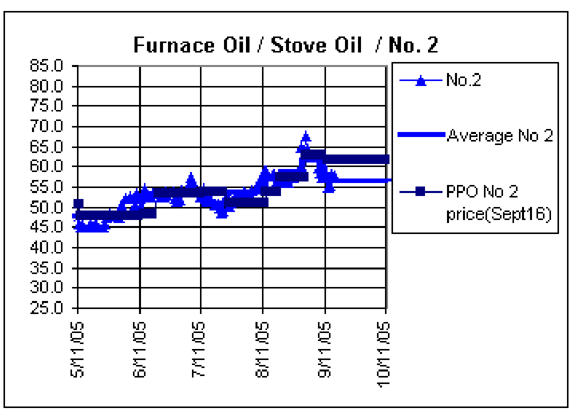
PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established. The PPO regularly sets maximum fuel prices on the 15th of each month.

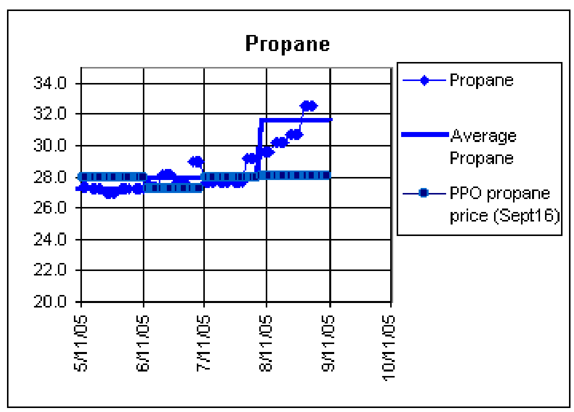
For the interruption formula to be used on gasoline and distillate fuels, the PPO requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. The formula is not used for five market 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 for fuels regulated by the Board for recent pricing periods up to Sept. 16, 2005:









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