MEDIA RELEASE

Gasoline prices to increase

Effective 12:01 a.m. Saturday, Oct. 1, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum price for all types of gasoline in Newfoundland and Labrador (NL) by 3.2/3.3 cents per litre (cpl) – depending on the HST rounding effect for a particular pricing zone.

This price change is the result of ongoing elevated and volatile world market prices for refined fuels, particularly gasoline, that have lingered since the Board last set maximum prices for gasoline Sept. 20 and the remaining fuels Sept. 27. There will be no adjustment to the maximum prices of furnace/stove oil, diesel or residential propane used for home heating purposes at this time.

The petroleum markets continue to demonstrate volatility and uncertainty throughout Canada and North America. Significant fluctuations are occurring often within the same day on the commodities exchanges that set the competitive price for transactions concerning petroleum products on the world markets. Despite being a regulated jurisdiction, Newfoundland and Labrador is not immune from the adverse effects of these global market conditions.

The Board will continue to monitor all factors impacting petroleum prices in this province, and will take whatever action may be necessary to ensure that products are appropriately priced and available to consumers.

Market information
Recent figures from the New York Mercantile Exchange (NYMEX) reflect how the market is reacting to fallout from Hurricane Rita that swept through the Gulf of Mexico, Texas and Louisiana last week. The market became concerned that U.S. refineries will be unable to meet the current and future demand for petroleum products, and this placed upward pressure on all refined fuel prices.

In addition to the numerous refineries that have yet to restart after Hurricane Katrina's devastation in the major oil and refinery production area only weeks previous, several refineries that had shut down as a precaution for the most recent Gulf storm remain closed. U.S. refiners are still trying to replenish gasoline inventories that were depleted following shutdowns caused by Hurricane Katrina, as well as make home heating products in advance of the colder weather. Doing both of these in a tight refining market is causing further strain on the industry, the impact of which is being demonstrated on the commodities exchange.

It has also been noted that the latest influx of excess oil to the market from OPEC (Organization of Petroleum Exporting Countries) has done little to deflect high fuel prices because the online refineries are already at near-peak production and the overall production capacity in recent weeks has been reduced. Additionally, market prices were affected by a strike at a major refinery in France, which closed the facility as well as a nearby port that feeds a major supply of fuel to plant.

BACKGROUNDER

The interruption formula is designed to make interim price changes upward or downward to account for volatile behaviour between periods of normal price adjustments made by the Board on the 15th of each month.

If price fluctuations on the New York Mercantile Exchange (NYMEX) exceed an average of ± 3.5 cpl over a five-day period then adjustments are made where price increases or decreases are warranted. In the case of residential propane, Bloomberg's *Oil Buyer's Guide* weekly must exceed a ± 5.0 cpl change over five days.

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