

MEDIA RELEASE

Automotive diesel prices increase

Effective 12:01 a.m. Tuesday, Oct. 4, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum allowable price for automotive diesel by 5.8 cents per litre (cpl) in Newfoundland and Labrador.

There will be no change to the maximum prices of any other regulated fuels at this time.

Many of the same factors that led to the Board's use of its interruption formula to increase gasoline prices this past Saturday, Oct. 1 have now affected diesel fuel prices. One of the primary events has been the aftereffects from the recent hurricanes in the Gulf of Mexico region that led to refinery shutdowns and delayed restarts.

As the northern hemisphere moves into the colder months, the market is assessing whether it can meet current and future demand for distillates. Diesel is a member of the distillate group of fuels, which also includes furnace/stove oil; consequently, many of the pressures that impact the prices of home heating fuels can similarly affect diesel, though their final pricing movements aren't always the same.

Refining capacity has been limited as many facilities are operating at near-peak production to replenish gasoline stocks that had depleted after Hurricane Katrina. At the same time, many refiners have also been making home heating fuels in preparation for the upcoming colder weather. Trying to achieve both with a reduced capacity has proven challenging for the industry, despite the fact there is sufficient oil available to the market.

BACKGROUND

The most recent inventory report from the U.S. Energy Information Administration (EIA) shows though distillate stocks are in the upper end of the average range for this time of year, distillate inventories had decreased last week. Ongoing demand for diesel fuel in countries with growing economies has also contributed to keeping prices for this product elevated.

NYMEX (New York Mercantile Exchange) prices for distillates had declined by the end of last week, as reports of increased fuel imports helped offset concerns of refining shortages, but the average price for the period was sufficient for the interruption formula criteria to be met for diesel.

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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