

MEDIA RELEASE

Residential propane to see early increase

Effective 12:01 a.m. Tuesday, Dec. 27, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum allowable price of residential propane used for home heating purposes in Newfoundland and Labrador by 4.3 cents per litre (cpl).

The interruption formula criteria were not met for the other fuels regulated by the Board and there will be no change to their maximum prices at this time.

Factors affecting propane prices are primarily related to the recent pricing behaviour of natural gas. Just as diesel and furnace oil are sister products in the same group of fuels, so too are natural gas and propane. Strong movement in the pricing of one product can often, though not in step, impact the pricing of the other.

Ongoing cold weather in the U.S. midwest, a region of high usage, has led to increased consumption and demand levels for propane and natural gas products, and resulted in an upward pressure on prices. Weekly inventory data released from the U.S. Energy Information Administration (EIA) this past Wednesday indicated that propane inventories had dropped significantly for the second straight week, though stockpiles overall remain above the average range.

Regulated residential propane figures are derived from pricing activity at the Sarnia rack, and the interruption formula criteria for this fuel differ from the other regulated petroleum products (see Backgrounder). This marks only the third time since the interruption formula was implemented in March 2003 that it has been used to make an early adjustment to the maximum price of residential propane.

BACKGROUNDER

Regulated fuel prices are adjusted on the 15th of each month using the average daily prices for most finished petroleum products as listed on NYMEX (New York Mercantile Exchange). In the event of volatile behaviour between normal price adjustments, the interruption formula is used by the Board based on specific criteria to make upward or downward interim price changes as warranted in the marketplace.

For the interruption formula to be used on gasoline, diesel or furnace/stove oil, price fluctuations on NYMEX must exceed an average of ± 3.5 cpl over a five market business-day period. Adjustments are then made where price increases or decreases are warranted. In the case of residential propane, Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a ± 5.0 cpl change over five days.

Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837.