

MEDIA RELEASE

Maximum prices set to increase for gasoline

As of 12:01 a.m. Tuesday, March 21, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum allowable price for all types of gasoline by 6.1/6.2 cents per litre (cpl) in Newfoundland and Labrador, except in areas where a price freeze is in effect.

The interruption formula criteria (see backgrounder) were not met for other regulated fuels, including automotive diesel, No. 2 blend furnace oil, stove oil and residential propane used for home heating purposes, and there will be no changes to their maximum prices at this time.

This announcement for gasoline follows two recent price increases by the Board that occurred on March 6 using the interruption formula, and then again during the regularly scheduled mid-month adjustment. These price increases are the result of ever-rising prices for refined fuels on the New York Mercantile Exchange (NYMEX). This volatility by the commodities market continues to place significant upward pressure on gasoline pricing in the provincial marketplace.

The beginning of this regulatory period (March 13) saw prices for refined products already in an upward position - at one point showing gasoline trading up by nearly 10 cents US per gallon. While pricing in this province has not been as erratic as elsewhere, this rapidly escalating pricing trend on the commodities market has been sufficient to trigger the interruption formula criteria for gasoline.

Analysts are pointing to ongoing instability (see below) in the global marketplace, which unfortunately will do little to diminish the concern of consumers regarding future prices. The Board will strive to lend as much stability to the provincial market as possible, and adjustments will only be made based on the regulated methodologies and market data used by the Board.

ONGOING INSTABILITY

Despite news from the U.S. government's weekly Energy Information Administration (EIA) report that stockpiles for refined fuels are still well-supplied and above the average range for this time of year, the fact that all products experienced inventory declines over the past week gave way to concerns at the outset of this pricing period about being able to meet future demand.

Events in major oil-producing countries that have caused concern on the commodities markets are not new; however, the longer they go unresolved, the more these worries are fostered and gather momentum. Examples of such incidents are: adverse political reaction

from Western leaders to Iran's plans for nuclear enrichment, violence in Nigeria, and more recently, U.S. attacks in Iraq (a nation still having trouble restoring full oil production) aimed at insurgents to name a few.

Other influences on fuel prices include: reduced refinery production capacity; new U.S. environmental specifications for gasoline and automotive diesel this summer; increased demand for gasoline in a potentially tight supply market as the peak driving season approaches; a growing global economy; reduced forecasts for global fuel consumption; and, a strong Canadian dollar.

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, 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. Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a ± 5.0 cpl change from the previously established base price under regulation.

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