

MEDIA RELEASE

Market relief leads to drop in maximum gasoline prices

Effective 12:01 a.m. Friday, May 5, 2006, the Public Utilities Board, through its Petroleum Pricing Office will lower the maximum price for all types of gasoline in Newfoundland and Labrador by 2.4 cents per litre (cpl), except in regions currently under a price freeze.

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

The commodities market experienced a retreat from the daily record prices experienced in late April resulting in a moderate reduction in maximum prices for gasoline throughout Newfoundland and Labrador. While this adjustment doesn't offset the recent increases in maximum prices for gasoline seen not only in this province, but also throughout North America, it represents a little good news for consumers and other stakeholders at this time.

However, the commodities exchange for refined fuels, especially for gasoline, remains unstable. The approaching peak summer driving season in North America and the ever-changing global supply/demand situation are continuing to contribute to unpredictable pricing behaviour. The Board will closely monitor these changing circumstances in order to adjust regulated prices in Newfoundland and Labrador to reflect global realities and hence maintain adequate supply.

DOWNWARD MOVEMENTS

NYMEX (New York Mercantile Exchange) commodity pricing welcomed news from the United States last week when President George Bush made announcements concerning rising fuel costs. Among the suggested initiatives that spurred a lowering of market gasoline prices were: temporarily suspending deposits to the strategic petroleum reserves, the nation's emergency supply of fuel, to make more crude oil available for gasoline production; waive requirements for compliance with environmental restrictions on the new specifications for gasoline and diesel; and investigations into price fixing and gouging.

Other news, both positive and negative, that also affected the commodities markets were:

- China: the world's second largest consumer of fuel raised its interest rates and many analysts believe this could slow oil demand.
- EIA (Energy Information Administration): the weekly U.S. inventory report for April 26 showed that gasoline inventories fell for the eighth consecutive week, though

this decrease was less than expected. U.S. refineries have increased in operation, which helped ease concerns about meeting the anticipated demand for gasoline this summer.

- Iran: the market has been eyeing the events between the United Nations (UN) Security Council and Iran. The UN watchdog confirmed that Iran has enriched uranium, despite opposition from Western leaders because of fears the activity is linked to the production of nuclear weapons. This has sparked concerns that fuel-supply disruptions may occur should this situation escalate.

- Nigeria: this is still a region of contention, as a substantial amount of its crude oil production remains shut-in because of militant unrest. This country's oil is a low-sulphur, sweet variety that is coveted by many refiners because it yields a large amount of gasoline.

BACKGROUND

Interruption formula: 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.

- 30 -

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