



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
Petroleum Pricing Office



MEDIA RELEASE

PRICE FREEZE LIFTED IN ZONES 11/14

Maximum prices for all fuel products lowered

Effective 12:01 a.m. Thursday, June 15, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will lower the maximum prices for all regulated fuels in Newfoundland and Labrador (NL), except in areas where the price freeze is being lifted at this time.

For all regions, except Zones 11 (Coastal Labrador South) and 14 (Coastal Labrador North), maximum fuel prices will decrease as follows: all types of gasoline by 1.2 cents per litre (cpl); automotive diesel by 1.1 cpl; furnace/stove oil by 1.97 cpl and residential propane used for home heating purposes by 0.4 cpl.

The price freeze will be lifted in Zones 11 and 14 at this time as per standing Board policy (see Background). This will result in increases to the maximum prices of all fuel products, including: 14.9 cpl for all types of gasoline, 8.3 cpl for automotive diesel, and 3.38 cpl for stove oil. These new prices are based on the same calculations used June 7 to lift the price freeze in Zone 10a (Mary's Harbour to Cartwright – road access), as well as incorporating the current overall changes in maximum pricing. For more information related to the June 7 adjustment, visit the Board's [website](#).

Outside of the lifting of the price freeze in Zone 10a, this session marks the first time since the same period last year that maximum fuel prices in NL did not have to be adjusted outside of its scheduled mid-monthly adjustment. This demonstrates not only that maximum regulated prices can remain stable when it is supported by market data, but highlights the significant volatility that has existed on the market during the past year.

Commodity pricing remains extremely sensitive to news that could affect fuel-supply availability, and this leaves the future direction of pricing open to speculation. The Board, however, will continue to analyze the market on a daily basis to ensure that regulated prices reflect the realities of the global marketplace and enable a continuing supply of fuel to all areas of the province.

PRICING VARIATIONS

NYMEX (the New York Mercantile Exchange) prices for commodities, particularly gasoline, experienced rollercoaster-like movement over the past several weeks, as there was mixed reaction to various news items impacting fuel demand and supply.

Fuel prices eased on the commodities exchange toward the end of this pricing period, as reports from the U.S. Energy Information Administration (EIA) showed that inventories for all refined petroleum products had risen for the third consecutive week and gasoline for its sixth week. All products are within the average range for this time of year, with decreased demand for gasoline and increased imports cited as reasons behind these recent stockpile increases.

Of particular concern for this time of year is the hurricane season and the impact storms could have on fuel-producing regions and supply availability in what's considered a globally tight market. Though there are many unknowns in this realm, forecasters have predicted that the Atlantic is in for an active hurricane season. This is something markets watchers will keep a close eye on, as memories of the devastation to refineries and fuel production caused by Hurricanes Katrina and Rita last year remain fresh.

It is believed by many analysts, such as the current and former chairs of U.S. Federal Reserve, that continued high prices will hinder economic growth for many industrial countries, including the U.S. It was stated by both officials that while the U.S. has been able to absorb high fuel prices so far, it is starting to hamper economic growth and could reduce consumer demand and result in higher inflation.

Though refinery production levels have increased in recent weeks in order to meet the expected summer demand, particularly for gasoline, overall refining capacity is believed to be extremely tight. Several facilities have experienced technical problems throughout the month that hurt production, while many others are still undergoing scheduled maintenance.

It is noteworthy that many of the events in major oil-producing nations that have created downward market-pricing movements over the past several weeks were also responsible for increasing prices, for example:

► *Iraq*: Exports from this country have not been able to return to pre-2003 war levels; however, recent news that a leader of al-Qaeda had been killed contributed to a decline in commodity pricing. This led to speculation that this may diminish the attacks and sabotage on its oil infrastructure. This news is being met with cautious optimism as it is believed that unrest there would not subside any time soon.

► *Iran*: The continually evolving situation in Iran has driven market commodity pricing both upward and downward, as there doesn't appear to be any resolution in sight. Early tensions over its uranium enrichment program produced threats of impeding oil exports, while at the same time, concerns eased somewhat after its president indicated that the latest proposals from world leaders could open the doors on future talks regarding the nuclear activity.

► *Nigeria*: The on-again, off-again militant unrest in this region has played a role in commodity pricing. Any news of conflict heightened concerns about further disruptions to the country's already damaged fuel supply network, while any reduction in clashes helped ease fears.

BACKGROUND

Price freeze: Policy on the price freeze was developed in November 2001 following consultations with local stakeholders, and specifically affects Zones 10a (Mary's Harbour to Cartwright – road access), 11 (Coastal Labrador South) and 14 (Coastal Labrador North).

The freeze, which for this period was implemented by the Board Nov. 15, 2005, is primarily based on the difficulties encountered in supplying fuels to Labrador given the winter conditions

that affect the shipping season, as well as problems of road access. In line with standing policy, the price freeze coincides around the same time as the beginning and end of the shipping season.

HST impact: The rounding effect of the HST (Harmonized Sales Tax) may create a slight variation in the magnitude of price changes in each zone for gasoline and diesel fuels. Please refer to the price tables related to this announcement to determine the maximum price for your area.

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