

Board of Commissioners of Public Utilities

120 Torbay Road, Suite E-210, P.O. Box 21040, St. John's, NL, A1A 5B2

Tel: (709) 726-8600 - Fax: (709) 726-9604

MEDIA RELEASE

July 25, 2005

Public Utilities Board seeks feedback on review of petroleum pricing regulation

As part of an operational review into petroleum pricing regulation, the Board of Commissioners of Public Utilities (the "Board") is releasing two documents concerning fuel price regulation in Newfoundland and Labrador with a view to gathering public input and comment from interested consumer groups, industry and individuals to assist with its decision making process on the issues identified in these reports.

The first report entitled "*A Study of Storage and Distribution Costs for Petroleum Products throughout Newfoundland and Labrador*" examines costs associated with the fuel distribution network operating throughout the Province and recommends changes to existing fuel pricing zonal boundaries and related price differentials within these zones. This Study was commissioned by the former Petroleum Products Pricing Commission (the "PPPC") and was undertaken by an independent consultant, David M. French & Associates.

In addition, the Board is interested in receiving input from stakeholders (both consumer and industry) regarding a general review of the fuel regulation system in the Province, as well as specific issues related to the regulatory mechanisms in place, including the methodology used to set maximum petroleum product prices. To assist the feedback process in this area, the Board is releasing a Discussion Paper which includes: i) a background of how initial regulated "base prices" were established; ii) the methodology used to set maximum prices for both the regularly scheduled adjustment and use of the interruption formula; iii) industry-related issues; and iv) a number of questions regarding these and other aspects of fuel-price regulation. Stakeholders are also encouraged to bring forward other issues within the regulatory responsibilities of the Board which they feel may warrant consideration.

All relevant documentation is being circulated to industry contacts currently on the Board's notification listing for price changes, as well as the Consumer Group for Fair Gas Prices. The Board will also be publishing a notice in papers throughout the Province over the next week requesting feedback. The complete documentation is available on the Board's website at www.pub.nl.ca or by contacting the Board.

Comments, feedback and/or expressions of interest in the review should be received from stakeholders by Friday, August 26, 2005. You may send your comments and/or submissions in writing, by fax, via e-mail or web feedback to the contact information below:

In writing: P.O. Box 21040, St. John's, NL, Canada, A1A 5B2

E-mail: petroleum-pricing-review@pub.nl.ca

Fax: (709) 726-9604

Website: www.pub.nl.ca

Once initial feedback and comment has been received, the Board may decide to schedule further consultation sessions and public hearings where necessary. The Board will consider all input received, including the results of any hearings or consultations, before making decisions on the issues which are the subject of this operational review.

BACKGROUNDER

On May 18, 2004 the Government of Newfoundland and Labrador announced the integration of the former Petroleum Products Pricing Commission (PPPC) with the Public Utilities Board. In doing so, the Board assumed the authority and responsibility of fuel-price regulation in the province.

Government announced at the time that regulatory restructuring was aimed at improving efficiency and reducing costs. Government also requested the Board conduct an operational review of petroleum pricing regulation to ensure the concerns of all stakeholders are being addressed.

As a first step the Board initiated a consolidation of the administrative and financial policies/practices of the former PPPC with those of the Board and to date have achieved substantial operating efficiencies and savings as this initiative continues. As a next step the Board is now in a position to begin its operational review to address regulatory pricing and process issues that may be of concern to stakeholders.

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Media Contact:	Michelle Hicks, Communications
Phone:	(709) 489-8837
Toll Free:	1-866-489-8800
E-mail:	mhicks@pub.nl.ca
Facsimile:	(709) 489-8879