



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



MEDIA RELEASE

NEW MAXIMUMS SET

Gasoline, propane prices slated for increases; distillates decline

Effective 12:01 a.m. Saturday, July 15, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will establish new maximum fuel prices throughout Newfoundland and Labrador (NL) as per its scheduled mid-monthly adjustment.

For automotive fuels, maximum gasoline prices will increase by 5.1 cents per litre (cpl), while diesel prices will be lowered by 0.9/1.0 cpl – depending on the HST rounding effect for a particular pricing zone. In the case of home heating fuels, maximum furnace/stove oil prices will be lowered by 1.34 cpl, and residential propane prices will rise by 2.2 cpl.

The commodities market has experienced pricing volatility, at times daily, throughout this entire four-week period. This activity not only saw prices move upward dramatically, but also recoil periodically. Despite this erratic behaviour, maximum fuel prices in this province have remained relatively stable.

It is hoped that future pricing will enable further stability; however, this condition is difficult to predict over the long term given the volatility that is currently being experienced in the market. The Board notes the regulatory system in this province is designed to balance the needs of all stakeholders in providing a fair price to consumers for the products, while reflecting the realities of the global marketplace in ensuring a continuing supply of fuels to all residents of Newfoundland and Labrador.

CONDITIONS

NYMEX (New York Mercantile Exchange) commodity prices continued to reflect the influence of increased demand for fuel in industrialized countries, particularly gasoline, despite persistently high prices. As well, conflicts in major oil-producing countries (such as Iraq, Iran, and Nigeria) could have a negative affect on future fuel-supply availability.

With any spike in demand comes the worry about whether or not existing or future supplies will be able to keep up with the rise in consumption, especially when the market is considered extremely tight. Analysts are closely watching possible events such as hurricanes, geopolitical conflicts, refinery outages and supply disruptions - any of which could occur unexpectedly - and

their potential impact on commodity pricing. Reaction thus far has been mixed to news that either offset these concerns or helped to propel them.

The EIA (Energy Information Administration) weekly U.S. inventory reports have shown increases in gasoline inventories during the past three out of five weeks, with a decrease this past week, and remained in the middle of the average range.

Diminished demand for heating oils also placed some downward pressure on distillate fuels, as inventories show these fuels above the average range for this time of year. On the other hand, the increase in demand for automotive diesel, which belongs to the same group of fuels as furnace/stove oil, and escalating prices for crude oil, which reached a new intraday trading high, have played significant roles in keeping these products' prices high.

Geopolitically, nuclear activity in Iran and North Korea was also a factor in driving fuel prices during this period, though there was some question by analysts whether these marked increases were justified. Iran refused to cease its nuclear enrichment program, and North Korea set off several test missiles earlier this month, both of which raised concerns from Western leaders about these countries' intentions.

BACKGROUND

Fuel-price regulation: Maximum 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), plus the appropriate conversions using the daily noon-day exchange rate, wholesale and retail margins, as well as taxation, when applicable. 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.

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.

-30-

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