



MEDIA RELEASE

Maximum gasoline prices lowered again

Effective 12:01 a.m. Sunday, Sept. 24, 2006, the maximum prices for all types of gasoline will decrease by 4.1/4.2 cents per litre (cpl) throughout Newfoundland and Labrador (NL) – depending on the rounding impact of the HST.

The Public Utilities Board, through its Petroleum Pricing Office, has determined that the criteria for the interruption formula were met for this product, and it means that regular self-serve gasoline in Zone 1 (the base zone for gasoline prices in the province) is below the \$1 mark for the first time since March 2006. There will be no changes to the maximum prices of other regulated fuel products at this time.

Commodities, such as gasoline, on NYMEX (New York Mercantile Exchange) continued to fall in price throughout this pricing period. The same downward pressure that led the Board this past Friday to lower the maximum prices for automotive diesel and furnace/stove oil for the third time in as many weeks is further impacting gasoline. In NL, the maximum price for gasoline has dropped nearly 24 cpl since Aug. 15, along with substantive price reductions in all other refined fuel products.

Factors that helped to lower market prices for gasoline included: the weekly EIA ([Energy Information Administration](#)) report from the U.S. that inventories continued to climb for all petroleum products, including gasoline; the passing of the peak demand driving season, which is expected to lower consumption though this remains uncertain; the slowing of global economies attributed to persistent high fuel prices; lowering of the forecasts for global demand; lack of hurricanes in major oil-producing regions to threaten supplies; and, a shift in tension in the Middle East.

While much has been made in recent days of price differences for gasoline between NL and other jurisdictions, whether regulated or non-regulated, price changes in this province reflect a greater measure of stability whether market conditions are impacting prices upwards or downwards. While understandably consumers are anxious to see prices reduced more quickly when commodity markets are in a decline as they are now, it must be remembered that price increases would also occur with greater frequency in a rising marketplace as well. In changing the current regulatory methodology, consumers could expect earlier price adjustments for both decreases and increases depending on market conditions. In the end, the pricing mechanism in NL maintains a fair balance whether commodity markets are going up or down, and in so doing, ensures a consistent and relevant regulatory framework for all stakeholders.

Finally, the Board sets only maximum prices for refined fuels in this province, and wholesalers and retailers can sell below these maximums at any time. While industry-driven reductions below established maximums have occurred at times, these have been limited and the Board encourages an expansion of competitive forces in the provincial marketplace.

BACKGROUNDER

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.

Interruption formula: 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 from the last benchmark for each fuel under regulation 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 benchmark under regulation.

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 automotive fuels. Please refer to the price tables related to this announcement to determine the maximum price for your area.

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