

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

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**MEDIA RELEASE**

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*Sunday, Oct. 15, 2006*

**Most maximum regulated prices continue to move downward**

Effective 12:01 a.m. Sunday, Oct. 15, 2006, the Public Utilities Board, through its Petroleum Pricing Office, has established the new maximum prices for regulated fuels in Newfoundland and Labrador (NL) as per its scheduled mid-monthly adjustment.

The maximum price for all types of gasoline will decrease by 1.4/1.5 cents per litre (cpl) – depending on the HST rounding impact. Other changes to maximums include: an increase in ultra low sulphur diesel (ULSD) in Newfoundland and low-sulphur diesel (LS No. 2) in Labrador by 0.9/1.0 cpl; a decrease for furnace/stove oil by 1.16 cpl; and, a reduction in residential propane used for home heating purposes by 1.2 cpl.

This adjustment reduces the maximum price for gasoline in the province to an eight-month low, while furnace oil and diesel prices are the lowest since June 15, 2005.

The length of this current price downturn remains uncertain. As clearly demonstrated over the past year, prices may change considerably depending on shifting global trends or catastrophic weather events, such as hurricanes. This latest round of price decreases on the commodity markets result from a healthy global supply versus demand picture bolstered by a relatively mild hurricane season in the Gulf of Mexico, combined with an easing of international tensions particularly in the Middle East. However, North Korea's testing of nuclear weapons and ongoing unrest in the oil-rich Niger Delta region represent continuing concerns.

During the recent trend of price decreases, many consumers in the province have been advocating faster and more responsive declines in fuel prices, while some resellers/retailers have argued maximum prices have been reduced too quickly to recover profit on existing inventories. The Board notes its processes and standards apply on a consistent basis to setting maximum prices, whether they are up or down. The Board's regulatory role is to balance the needs of all stakeholders, providing for justified prices to consumers and a reasonable financial return for all participants involved in the supply network, including small retail outlets with low volumes. Maintaining this balance represents a continuing challenge for the Board.

The Board is concluding its ongoing review of the petroleum pricing processes, and would welcome any additional public comment from interested parties (see Backgrounder).

At this time, the Board will also reinstate the 3.0 cpl differential between grades of gasoline and the type of service (self-serve versus full-serve) for all pricing zones under regulation. Since the federal government reduced the GST (Goods and Services Tax) by one per cent, and consequently the HST (Harmonized Sales Tax) in this province July 1, the rounding effect slightly reduced the differential between some grades of gasoline by 0.1 cpl in a number of zones, some of the time. This adjustment will make these differentials consistent across the province.

### **PRICING INFLUENCES**

Inventories for gasoline and distillate fuels (diesel and furnace/stove oil) have continued to climb in recent weeks leading to an ease in concerns about meeting seasonal demands as the colder temperatures set in. U.S. refinery capacity is still considered tight, as turnarounds and a shift in production from gasoline to heating oils have gotten underway.

During the past couple of weeks, all eyes have been closely watching OPEC (the Organization of Petroleum Exporting Countries) to see if emergency meetings would result in a cut to output in what it believes is an oversupplied market. What, if any, impact this would have on the commodities market were unknown.

Forecasts for global demand, though still expected to increase, have been lowered because persistent high prices have led to a slowdown in economic growth for some regions, including the United States, the world's largest consumer.

Also facilitating the market downturn has been reduced concerns about fuel supply disruptions from events that have previously increased commodity prices, such as hurricanes in areas of significant oil production or tensions in the Middle East. North Korea carried out its first test of nuclear weapons without incident, and while Western leaders are still opposed to this activity, it resulted in minimal impact on market fuel prices.

Nigeria, whose oil minister is the president of OPEC, continued to have its share of unrest in the oil-rich Niger Delta region, but the situation has not reached monumental levels to warrant heightened concern about further supply cuts from this region.

### **BACKGROUNDER**

***Fuel-price regulation:*** Maximum regulated fuel prices are adjusted on the 15<sup>th</sup> 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 automotive fuels. Please refer to the price tables related to this announcement to determine the maximum price for your area.

***Petroleum Pricing Review:*** As part of this review, comment and input on the Board's pricing processes and related issues may be done by contacting the Board as follows:

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