

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

MEDIA RELEASE

Regulated fuel prices set using new schedule

Effective 12:01 a.m. Thursday, Nov. 23, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will set maximum fuel prices in Newfoundland and Labrador, except in areas currently under a price freeze.

A breakdown of the changes to maximum prices for regulated fuels includes:

- all types of gasoline will increase by 2.5/2.6 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel (ULSD) in Newfoundland will move upward by 0.6/0.7 cpl, while low sulphur diesel in Labrador will increase by 0.6 cpl;
- No. 2 blend furnace oil will increase by 0.27 cpl;
- stove oil will decrease 0.17 cpl; and,
- residential propane used for home heating purposes will rise by 0.8 cpl.

This marks the first time the Board has moved maximum prices under its new schedule that will see adjustments every second Thursday. Details of these planned changes were previously announced during the Board's latest regulatory price adjustment on November 15th. These changes follow consultation with stakeholders and considerable research by the Board and are designed to improve the predictability, transparency and efficiency of petroleum price regulation in NL (see Backgrounder).

Much attention has recently been brought to crude oil prices, which have declined somewhat since the last time maximum prices were set. Unlike this crude oil trend, the commodity market prices for refined fuels (e.g. gasoline, diesel, furnace/stove oil and residential propane) used to set the associated regulated pricing for these same petroleum products provincially have experienced both upward and downward movement over the period. Factors that affected market prices include: seasonal shifts in demand, as North America moves into the heating season; continuing declines in gasoline and distillate (diesel, furnace/stove oil) inventories in the face of ongoing and anticipated demand; and, a possibility that OPEC (Organization of Petroleum Exporting Countries) may make further cuts to output quotas.

The Board invites the public to view an updated "Questions and Answers" section on its website by clicking this [link](#), which represents a compilation of answers to frequently asked questions posed to the Board regarding fuel-price regulation.

BACKGROUND

Changes to regulation schedule: The Board will now set maximum prices for petroleum products every two weeks instead of the previous mid-month adjustment. The Board's existing Interruption Formula (IF), which is used to adjust for market volatility between scheduled pricing adjustments, has been maintained but the criteria and timing have changed. Every Thursday following a scheduled adjustment, consumers will experience either no change in price or a change triggered by the criteria being met for the IF. Details of these changes are available on the Board's website at www.pub.nl.ca under the Nov. 15, 2006 media release and related information.

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.

Labrador price freeze: The annual fuel-price freeze was implemented Nov. 15 in several Labrador zones, including: Zone 11 (Labrador South – Lodge Bay / Cartwright), Zone 11a (Coastal Labrador South – Tanker Supplied), Zone 11b (Coastal Labrador South – Drum Delivery) and Zone 14 (Coastal Labrador North).

Policy on this matter has previously been developed in consultation with stakeholders from these regions, and is largely based on the difficulties encountered in supplying fuels to Labrador given the winter freeze-up which affects the shipping season, as well as problems of road access during the winter months.

The price freeze will continue until deliveries to the region resume in the spring of the year; however, in the case of Zone 11 (Labrador South – Lodge Bay / Cartwright), where road access may be available prior to the beginning of the shipping season, the Board will consult with local stakeholders to determine the appropriate end date for the price freeze, as it has in the past.

-30-

Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837
E-mail: mhicks@pub.nl.ca