

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

MEDIA RELEASE

Thursday, May 22, 2008

Maximum Prices Increase *Zone 11a and 11b price freeze lifted*

The Public Utilities Board, through its Petroleum Pricing Office, will set new maximum prices for regulated fuel products, as per its scheduled biweekly pricing adjustment. Effective 12:01 a.m. Thursday, May 22, 2008, maximum prices will increase as follows, except in Zone 14 which remains under a price freeze:

- all types of gasoline by 4.3 or 4.4 cents per litre (cpl) - depending on HST rounding;
- automotive diesel by 3.9 or 4.0 cpl – also depending on HST rounding;
- furnace and stove oil by 1.75 cpl; and,
- residential propane used for home heating purposes by 1.1 cpl; and,
- due to the lifting of the price freeze in Zones 11a and 11b (Coastal Labrador South – Tanker Supply & Coastal Labrador South - Drum Delivery), maximum prices in this zone will increase as follows: 25.7 cpl for gasoline, 42.7 cpl for ultra low sulphur diesel, and 34.79 cpl for stove oil.

During the previous two weeks the price of crude oil has been reaching new all-time highs almost daily, reaching close to \$130 U.S. a barrel recently. While the market price of crude oil is not a component of the maximum regulated price, it is a major underlying factor in the pricing behaviour of refined petroleum products on the commodities market.

Seasonal gasoline demand continues to increase, with the coming U.S. Memorial day weekend being seen as the kick-off of the summer driving season. Concerns also continue to be expressed about the strength of current gasoline stocks and their ability to adequately meet this demand. Also of note is the dramatic price increases for distillate fuels (automotive diesel and furnace/stove oil) in recent weeks, despite reduced North American demand as the weather improves.

Prices for all products have seen pressure from reduced Nigerian output and rising tensions between the west and Iran. A major spike in global demand is also coming from China as it copes with the repercussions of the recent major earthquake, which resulted in the shut down of significant domestic coal and petroleum production and large scale disruptions to the electrical grid. It is expected that significant diesel generation will be required to cover these shortfalls in the short term.

The Board recognizes the challenges that current prices pose to consumers throughout the province and will continue to monitor market data to ensure that maximum prices reflect the costs associated with supplying these products to consumers, and permit a secure supply of fuel in the local network.

PRICE FREEZE LIFT

In line with established guidelines upon the resumption of the shipping season and the delivery (or imminent delivery) of new supplies via marine shipment, the price freeze will be lifted in Zones 11a (Coastal Labrador South –Tanker Supplied) and 11b (Coastal Labrador South – Drum Delivery). As the winter supply is depleted new fuel products have to be purchased at current market prices and these higher costs are reflected in the increased maximum allowable prices.

The price freeze in Zone 14 (Coastal Labrador North) will remain in effect for the time being. The Board will be monitoring the situation closely as it is expected that the shipment of new supplies could resume shortly.

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Media contact: Petroleum Pricing Office at 1-866-489-8800 or 489-8877.

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