

EMBARGO- MEDIA RELEASE

Embargo until 12:01 a.m. Thursday, July 17, 2008

Maximum prices up for gasoline and propane; retail gasoline margins increased.

The Public Utilities Board will adjust maximum fuel prices in Newfoundland and Labrador effective 12:01 a.m. Thursday, July 17, 2008, as per its scheduled bi-weekly adjustment.

Maximum fuel prices will change as follows:

- all types of gasoline* will increase 2.4 or 2.5 cents per litre (cpl), depending on the HST rounding effect for a particular pricing zone;
- ultra low sulphur diesel will decrease 1.1 or 1.2 cpl – also due to HST rounding;
- furnace and stove oil will be lowered 1.80 cpl; and,
- residential propane used for home heating purposes will increase 1.9 cpl.

**Part of the increase in gasoline prices is a result of an adjustment to retail margins (see below).*

While a tight demand-supply balance continues to be an underlying factor in the current pricing levels for refined petroleum products, economic and political instability have contributed to the daily fluctuations in market prices seen over this pricing period. Markets continue to be rattled by the economic news out of the U.S., and there are signs that the U.S economy continues to weaken. Concerns that continued political tensions in the Middle East will affect oil deliveries coming from the Persian Gulf, which represents ¼ of the world's daily supply, are also affecting market prices.

Retail Gasoline Margins Adjusted

The maximum price established by the Board for gasoline as of this scheduled price adjustment reflects an increase of 1.25 cpl in the retail margin for regular unleaded gasoline. The retail margin is intended in part to allow retailers of gasoline to recover reasonable costs associated with the supply of gasoline to consumers across the province, including such items as pump costs, salaries, overhead, etc.

The retail margin, previously set at 5.0 cpl (before HST), is a component of the total allowed mark-up set by the Board for gasoline of 13.58 cpl. The retail margin of 5.0 cpl was established at the time of implementation of petroleum products pricing regulation in 2001 and has not been adjusted by the Board since that time. As of this week's pricing change the allowed retail margin will be set at 6.25 cpl (before HST). The additional 1.25 cpl will go directly to retailers in the province.

Retail/Wholesale Margin Review

This adjustment to retail margins is being made at this time in response to representations and submissions in the spring of 2008 from retailers and their suppliers regarding the adequacy of the existing retail margin and concerns that the retail margin does not reflect the actual costs of providing service. In particular retailers have raised concerns about the ongoing viability of some service stations in the province given the significant increases in costs in recent years, especially for wages and credit card fees. In June 2008 the Board commenced a study of the adequacy of retail and wholesale margins and, based on the results of its initial review, determined that an immediate adjustment to retailer margins was required to ensure continued retailer viability.

The Board's review of the adequacy of existing margins for gasoline is ongoing and is expected to be completed in the fall of 2008. At that time the Board may make further adjustments to retail and wholesale margins if justified based on the results of the review. Further information on the review will be available on the Board's website www.pub.nl.ca in the next few days along with information on how to participate and/or provide input.

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