

## THE PROVINCIAL SALES TAX ACT

### NATURAL GAS VALUATION FOR PIPELINE OPERATORS

Provincial Sales Tax (PST) applies to natural gas (NG) consumed in stationary internal combustion engines that are used in the compression of NG at pipeline compression facilities for the purposes of gathering, processing, storage, transmission and injection of NG or oil.

To ensure fair and consistent application of PST, this Information Notice outlines the accepted method of calculation to be used by pipeline operators when determining the value of NG that is consumed at their compressor stations located in the province.

As a consumer of the NG, pipeline operators are required to self-assess PST on the fair market value (FMV) of the NG that is consumed or used in the province to operate those facilities. The method outlined below provides a uniform methodology to arrive at a value of the NG, when it is acquired from various producers, based on terms that are imbedded in the tariff agreements.

- Although the quantity of NG can be measured using either volume or energy (heat) content, for PST purposes, to help ensure consistency and alignment with industry practices, a measurement based on energy content will be the standard used for reporting. [I.E. The quantity of NG used will be reported in units of Giga Joules (GJ)].
- To account for the different values that can occur due to the various compositions of NG that are shipped through the province, pipeline operators will use the Provincial Average Field Gate Price (PGP) to value the NG for PST purposes. PGP is the standard reference point that reflects the average market value of natural gas transactions in Saskatchewan and it is published on a monthly basis.

To determine the PST due on the monthly amount of NG consumed or used in their facilities within the province, the following calculation is to be used by pipeline operators.

#### For a Given Month

**Quantity (in GJ), multiplied by PGP value (in \$ per GJ), multiplied by PST rate, equals PST due**

#### PGP Values

The monthly PGP is published no later than the 15<sup>th</sup> of the following month and may be found in the table located at: <https://publications.saskatchewan.ca/#/products/75617>.

#### FOR FURTHER INFORMATION

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Internet: Tax bulletins, forms and information are available at [saskatchewan.ca/business-taxes](http://saskatchewan.ca/business-taxes).

Government website: [Saskatchewan.ca](http://Saskatchewan.ca)