

October 18, 2004

## **REDUCTION IN THE STANDARD CALORIFIC VALUE OF GAS SUPPLIED**

Tokyo Gas Co., Ltd.

In order to lower make its supply of gas even less cost by lowering feedstock cost, Tokyo Gas Co., Ltd. (President: Norio ICHINO) is going to reduce the standard calorific value of its gas beginning in the second half of fiscal 2005.

### **Particulars of the reduction**

The standard calorific value of the gas supplied will be reduced from the current 46.04655 MJ/m<sup>3</sup> (11,000 kcal/m<sup>3</sup>) to 45 MJ/m<sup>3</sup> (10,750 kcal/m<sup>3</sup>).

### **Background**

In its present process of manufacturing city gas, Tokyo Gas adds liquefied petroleum gas (LPG), which has a high calorific value, to liquefied natural gas (LNG) imported from other countries for the purpose of adjusting the calorific value to 46.04655 MJ/m<sup>3</sup> (11,000 kcal/m<sup>3</sup>) before supplying it to customers.

In recent years, LPG prices have been significantly higher than LNG prices. To lower our feedstock costs, we consequently decided to decrease the rate of LPG use for increasing the calorific value by reducing the standard calorific value of its gas supplied to 45 MJ/m<sup>3</sup> (10,750 kcal/m<sup>3</sup>).

### **Influence**

The gas type, which indicates the combustibility and other attributes of city gas, will remain the same as at present (13A). There will be no need for customers in the residential segment to adjust or modify the gas appliances they currently use.

However, certain customers in the industrial and commercial segments must have some adjustments made in their equipment. For this reason, Tokyo Gas personnel will carefully perform the advance inspections and requisite adjustment work for each of such customers, with their understanding and cooperation.

The calorific value reduction will be implemented mainly in the Tokyo area. It will not have any impact on customers in the Gunma-Nagano and Kofu areas, which are supplied with city gas made from domestically produced natural gas, because we will continue to supply the same type of city gas to them.

The foregoing also applies to the calorific value of the gas supplied to city gas companies in peripheral areas receiving a wholesale pipeline supply from Tokyo Gas. As a result, they will have to perform the advance inspection and equipment adjustment work for those industrial and commercial customers requiring it.

**Time of implementation**

We shall determine the specific time of the change by carefully monitoring factors such as the progress of the customer equipment adjustment work.

**Other matters**

We intend to return the benefits of the cost decrease resulting from the reduction of the standard calorific value to our customers. In step with the implementation, we are going to modify the supply articles related to the standard calorific value and tariffs of the gas we supply.