



Province of British Columbia

BC-23
APPLICATION FOR GAS COST ALLOWANCE
For Reporting Production Periods Prior to October 2018

| | |
|-----------------------------------|-----------|
| Months Operating in Calendar Year | A1 |
|-----------------------------------|-----------|

| | |
|--------------------------------|-----------|
| Actual Claim For Calendar Year | A2 |
|--------------------------------|-----------|

| | |
|-----------------------------------|-----------|
| Estimated Claim For Calendar Year | A3 |
|-----------------------------------|-----------|

| | |
|-----------------|-----------|
| FACILITY | |
| Facility Code | B1 |

| LAND | | COSTS INCURRED \$ | |
|--|---|--------------------------|--|
| C1 | Land Cost | | |
| DEPRECIABLE CAPITAL ADDITIONS (DISPOSALS) | | COSTS INCURRED \$ | |
| D1 | 1. | | |
| | 2. | | |
| | 3. | | |
| | 4. | | |
| D2 | Net Depreciable Capital Additions (Disposals) | | |

| DEPRECIATION | | CAPITAL DEPRECIATION \$ | |
|---------------------|---|--------------------------------|--|
| E1 | Opening Balance of Undepreciated Capital as at January 1 | | |
| E2 | Total Undepreciated Capital (before depreciation) [D2 + E1] | | |
| E3 | Prorated Depreciation [5% OF E2 × A1 / 12] | | |
| E4 | Closing Balance of Undepreciated Capital as at December 31 | | |

| DIRECT OPERATING COSTS | | DIRECT COSTS INCURRED \$ | | DIRECT COSTS INCURRED \$ | | | |
|-------------------------------|--------------------|---------------------------------|--|---------------------------------|---|--|--|
| F1 | Labour | | | F1 | Direct Insurance | | |
| | Materials | | | | Property Taxes | | |
| | Chemicals | | | | Camp Costs | | |
| | Transportation | | | | Other | | |
| | Contract Services | | | | Other | | |
| | Utilities | | | | Other | | |
| | Maintenance | | | F2 | Total Direct Operating Costs [F1 Total] | | |
| | Purchased Fuel Gas | | | F3 | Overhead Allowance [10% of F2] | | |
| | Telecommunications | | | F4 | Total Direct Operating Costs [F2 + F3] | | |

| WORKING CAPITAL ALLOWANCE | | | |
|----------------------------------|--|--|--|
| G1 | Working Capital Allowance [F4 × 1/6] | | |

BC-23
APPLICATION FOR GAS COST ALLOWANCE

| RATE BASE | | | |
|-----------|---------------------|--|--|
| H1 | Rate Base | $[(E1 + E4) / 2 + C1 + G1]$ | |
| H2 | Return on Rate Base | $[15\% \text{ of } H1 \times A1 / 12]$ | |

| ACTUAL GAS COST ALLOWANCE RATE AND CARRY-FORWARD | | | |
|--|---|--------------------|--|
| J1 | Total Actual Cost Allowance | $[F4 + E3 + H2]$ | |
| J2 | Gas Cost Allowance Carry-Forward (Prior Year) | | |
| J3 | Actual Plant Throughput (1000 cubic metres raw gas) | | |
| J4 | Actual Gas Cost Allowance Rate (Current Year) | $[(J1 + J2) / J3]$ | |
| J5 | Approved Estimated Rate | | |
| J6 | Total Gas Cost Allowance Applied | $[J5 \times J3]$ | |
| J7 | Gas Cost Allowance Carry-Forward (Current Year) | $[J1 + J2 - J6]$ | |

| ESTIMATED GAS COST ALLOWANCE RATE | | | |
|-----------------------------------|--|------------------------|--|
| K1 | Estimated Total Cost Allowance | $[J1 \text{ or } L12]$ | |
| K2 | Gas Cost Allowance Carry-Forward (Current Year) | $[J7]$ | |
| K3 | Estimated Plant Throughput (1000 cubic metres raw gas) | | |
| K4 | Estimated Gas Cost Allowance Rate (\$ / 1000 cubic metres) | $[(K1 + K2) / K3]$ | |

| ESTIMATED TOTAL COST ALLOWANCE | | | |
|--------------------------------|---|---|--|
| L1 | Opening Balance of Undepreciated Capital | $[E4]$ | |
| L2 | Depreciable Capital Additions (Disposals) | | |
| L3 | Total Undepreciated Capital | $[L1 + L2]$ | |
| L4 | 1. Prorated Depreciation | $[5\% \text{ of } L3 \times \text{expected operating months} / 12]$ | |
| L5 | Closing Balance of Undepreciated Capital | $[L3 - L4]$ | |
| L6 | 2. Direct Operating Costs (DOC) | | |
| L7 | 3. Overhead Allowance (10% of DOC) | $[10\% \text{ of } L6]$ | |
| L8 | Estimated Total Operating Costs | $[L6 + L7]$ | |
| L9 | Working Capital Allowance | $[L8 \times 1/6]$ | |
| L10 | Rate Base | $[(L1 + L5) / 2 + C1 + L9]$ | |
| L11 | 4. Return on Rate Base | $[15\% \text{ of } L10 \times \text{expected operating months} / 12]$ | |
| L12 | Estimated Total Cost Allowance | $[L4 + L8 + L11]$ | |

| FACILITY OPERATOR | | | |
|---|-----------|-----------|---------------|
| I hereby certify that the information provided on this form and in supporting documentation is correct. | | | |
| Signature | M1 | Telephone | () M3 |
| Name | M2 | Fax | () M4 |

BC-23 APPLICATION FOR GAS COST ALLOWANCE

DESCRIPTION

A Gas Cost Allowance (GCA) is a site-specific deduction from gross natural gas royalties and taxes. This deduction is intended to compensate for:

- (i) the costs of construction and operation applicable to the Crown's share of natural gas processed through producer-owned gas processing plants;
and/or,
- (ii) the costs of construction and operation applicable to the Crown's share of natural gas transported through producer-owned residue gas pipelines.

PURPOSE

The BC-23 is used by the operator of a gas plant to report costs incurred in each calendar year and to apply for a GCA rate for the next calendar year.

CUSTOM PROCESSING

A producer-owned plant or sales line may be for the producer's own use, or for the use of other producers who pay custom processing fees to use the facilities. Producers who pay custom processing fees to process and/or transport their gas at producer-owned facilities may only claim the approved GCA rate for that calendar period.

FILING

The BC-23 should be submitted to the Mineral, Oil and Gas Revenue Branch for actual operations for each year not later than March 15 of the following year. Each BC-23 must include an estimate of costs and volumes for the following year.

For a new facility, the details of estimated capital costs should be provided approximately two months prior to start-up. This will help ensure that the estimated GCA rate is as accurate as possible. Completed Excel files can be sent to us by clicking the Submit button within the Excel file.

AMENDMENTS

The BC-23 can be used to report amendments to previously reported information for production periods prior to October 2018. Amendments must be reported within 72 months of the producing month. Amendments must be made by re-submitting the complete form. The BC-23 cannot be amended by re-submitting the amended line only.

METHODOLOGY

An outline of the GCA methodology is as follows:

Calendar Year One

In the first calendar year that a facility is eligible for a GCA a BC-23 is submitted for approval of an estimated GCA rate for the year. The estimated GCA rate is based upon estimated facility costs and estimated plant throughput volumes. See Section K of BC-23 Application. The approved estimated GCA rate is used to calculate GCA for gas royalties in year one.

METHODOLOGY cont'd

Calendar Year Two

- (1) Before March 15 of the second calendar year a BC-23 is submitted to apply for a GCA rate for the second calendar year. In this BC-23 the actual costs and actual raw gas throughput are used to determine the actual GCA rate for year one.
- (2) The total GCA applied during the first calendar year is determined by multiplying the approved estimated GCA rate for the facility by the actual plant throughput in year one.
- (3) The difference between the actual GCA for year one and the estimated GCA applied during year one results in an adjustment called a Gas Cost Allowance Carry-Forward (Current Year).
- (4) The GCA rate for year two is estimated by dividing the estimated Total Cost Allowance and the Gas Cost Allowance Carry-forward by the estimated plant throughput. Two options may be used for estimating the Total Cost Allowance:

Option A The estimated Total Cost Allowance for year two is the actual Total Cost Allowance for year one.

Option B The estimated Total Cost Allowance for year two may be determined by estimating the capital and operating costs and doing new calculations of depreciation, overhead allowance and return on rate base.

Subsequent Years

- (1) At the end of each calendar year, the actual facility costs and actual plant throughput are used to develop an actual facility GCA rate.
- (2) The total GCA applied during the calendar year is determined by multiplying the approved estimated GCA rate for the facility by the actual plant throughput.
- (3) The Gas Cost Allowance Carry-forward for the year is determined as the Actual Total Cost Allowance for the year plus the previous year's Gas Cost Allowance Carry-forward, minus the total GCA applied.

NOTE:

- (1) *Once an estimated GCA Rate is approved by the Ministry, it must be used until a revised rate is approved by the Ministry.*
- (2) *If the difference between the estimated GCA claimed and the actual GCA for a year is significant, the Province may retroactively adjust royalty charges for the year.*
- (3) *Where a producer-owned plant and/or sales line is purchased by another producer, who continues to operate the facilities as a producer-owned plant and/or sales line, the capital cost in any GCA applications shall be equal to the original construction costs plus any allowable capital additions less any depreciation deducted prior to the purchase date.*

GENERAL INFORMATION

- A1 Months Operating in Calendar Year** Enter the number of production months this facility operated, or will operate, in the calendar year.
- A2 Actual Claim for Calendar Year** If an actual GCA rate is being calculated, indicate the calendar year to which the actual GCA rate applies.
- A3 Estimated Claim for Calendar Year** If an estimated GCA rate is being calculated, indicate the calendar year to which the estimated GCA rate applies.

FACILITY

- B1 Facility Code** Insert the 4-digit code assigned to the facility. If the facility has not yet been assigned an identifying code, contact the Ministry.

LAND

- C1 Land Cost** Enter the original cost of the site upon which the facility is located. In the GCA calculation, land is treated as an asset that does not depreciate in value.

DEPRECIABLE CAPITAL ADDITIONS (DISPOSALS)

- D1** List all allowable depreciable capital additions and disposals claimed for the year as defined in the attached Schedules I and II. Enter the actual costs incurred in the column provided. If there are more than four entries, attach a separate sheet listing the additional items.
- Disposals, excluding land, are to be recorded at net book value using the per annum depreciation allowance specified in E3 (i.e., 5 percent).
- D2 Net Depreciable Capital Additions (Disposals)** Enter the sum of the costs incurred in the year for depreciable assets less the net book value of depreciable assets disposed of in the year.

DEPRECIATION

- E1 Opening Balance of Undepreciated Capital as at January 1** Enter the dollar value of undepreciated capital carried forward from the end of the previous year. (Note: Land is not to be depreciated). In the first year of operations, enter the total cost of depreciable assets as at the commencement date of operations.
- E2 Total Undepreciated Capital (before depreciation)** Enter the sum of Net Depreciable Capital Additions/(Disposals) (D2) and Opening Balance of Undepreciated Capital as at January 1 (E1).
- E3 Prorated Depreciation** Depreciation is the Total Undepreciated Capital (E2) multiplied by 0.05. Prorate the result by multiplying by the number of operating months divided by 12.

$$\text{i.e., } E3 = (E2 \times 0.05) (A1 \div 12)$$

DEPRECIATION cont'd.

- E4 Closing Balance of Undepreciated Capital as at December 31** Subtract Prorated Depreciation from Total Undepreciated Capital.

$$\text{i.e., } E4 = E2 - E3$$

NOTE: Where material capital additions to the plant are made part way through a reporting year, the calculation of depreciation will be prorated based on the actual number of months that the asset is in operation.

DIRECT OPERATING COSTS (DOC)

- F1 Direct Operating Costs (\$)** List the actual allowable costs claimed for the year as defined in the attached Schedules III and IV. If there are more than two entries under Other Expenditures, attach a separate sheet listing additional entries.

- F2 Direct Operating Costs** Enter the sum of the Sub-Totals for columns 1 and 2.

- F3 Overhead Allowance (10% of Total DOC)** Enter an amount for overhead that is 10 percent of Total DOC.

$$\text{i.e. } F3 = F2 \times .10$$

- F4 Total Direct Operating Costs (Total DOC + Overhead)** Enter the sum of Total DOC and Overhead.

$$\text{i.e. } F4 = F2 + F3$$

WORKING CAPITAL ALLOWANCE

- G1 Working Capital Allowance** Enter one-sixth of Total Operating Costs.

$$\text{i.e. } G1 = F4 \div 6$$

RATE BASE

- H1 Rate Base** Enter the sum of Average Net Depreciable Capital plus Land Value plus Working Capital Allowance.

$$\text{i.e. } H1 = (E1 + E4) \div 2 + C1 + G1$$

- H2 Return on Rate Base** Enter 15.0 percent of the Rate Base prorated over the operating months in the claim year.

$$\text{i.e. } H2 = .15 \times H1 \times A2 \div 12$$

NOTE: Where material capital additions to the plant are made part way through a reporting year, the calculation of Return on Rate Base will be prorated based on the actual number of months that the capital asset is in operation.

ACTUAL GAS COST ALLOWANCE RATE AND CARRY-FORWARD

- J1 Total Actual Cost Allowance** Enter the sum of Total Operating Costs plus Prorated Depreciation plus Return on Rate Base.
i.e. $J1 = F4 + E3 + H2$
- J2 Gas Cost Allowance Carry-Forward (Prior Year)** Enter the carry-forward amount from J7 of the previous year's BC-23 Application.
- J3 Actual Plant Throughput (1 000 cubic metres raw gas)** Enter the total plant throughput for the year in 10^3m^3 of raw gas.
- J4 Actual Gas Cost Allowance Rate (Current Year)** Calculate the Actual Gas Cost Allowance Rate in $\$/10^3\text{m}^3$ by dividing the sum of Total Actual Cost Allowance and Gas Cost Allowance Carry-Forward (Prior Year) by Actual Plant Throughput.
i.e., $J4 = (J1 + J2) \div J3$
- J5 Approved Estimated Rate** Enter the Approved Estimated Rate from K4 of the previous years BC-23 Application.
- J6 Total Gas Cost Allowance Applied** Calculate the total GCA claimed for the current year by multiplying the Approved Estimated Rate by the Actual Plant Throughput.
i.e., $J6 = J5 \times J3$
- J7 Gas Cost Allowance Carry-Forward (Current Year)** Subtract the Total Gas Cost Allowance Applied from the sum of the Total Actual Cost Allowance and the Gas Cost Allowance Carry-Forward (Prior Year).
i.e., $J7 = J1 + J2 - J6$

ESTIMATED GAS COST ALLOWANCE RATE

- K1 Estimated Total Cost Allowance** Enter the Estimated Total Cost Allowance determined using either Option A or B. In calculating the Estimated Gas Cost Allowance Rate, the Estimated Total Cost Allowance may be calculated using one of two options:
Option A Use the Actual Total Cost Allowance for the previous year (J1).
Option B Calculate the Estimated Total Cost Allowance based on estimated costs. Section L may be used to perform this calculation (L12).
- K2 Gas Cost Allowance Carry-Forward (Current Year)** Enter the Gas Cost Allowance Carry-Forward calculated in J7.
- K3 Estimated Plant Throughput (1000 cubic metres raw gas)** Enter a plant throughput estimate based on the previous year's actual plant throughput or an estimated plant throughput for the current year.

ESTIMATED GAS COST ALLOWANCE RATE cont'd

- K4 Estimated Gas Cost Allowance Rate (\$ / 1000 cubic metres)** Calculate the Estimated Gas Cost Allowance Rate in $\$/10^3\text{m}^3$ by dividing the sum of the Estimated Total Cost Allowance and Gas Cost Allowance Carry-Forward (Current Year) by the Estimated Plant Throughput.

$$\text{i.e., } K4 = (K1 + K2) \div K3$$

ESTIMATED TOTAL COST ALLOWANCE (Option B)

- L1 Opening Balance of Undepreciated Capital** Enter the dollar value of undepreciated capital carried forward (E4) from the end of the previous year.
In the first year of operations, enter the total undepreciated capital as at the commencement date of operations on line L1. Land is not to be depreciated.

- L2 Depreciable Capital Additions (Disposals)** Enter the sum of the depreciable costs for the estimated capital additions less the net book value of depreciable assets that will be disposed of in the year.

Provide a list of all estimated depreciable capital additions and disposals for the upcoming year as defined in the attached Schedules I and II, as well as the estimated completion or commissioning date of the addition or disposal.

- L3 Total Undepreciated Capital** Enter the sum of Depreciable Capital Additions (Disposals) (L2) and Opening Balance of Undepreciated Capital as at January 1 or the start up date (L1).

- L4 Prorated Depreciation** Enter the Total Undepreciated Capital (L3) multiplied by 0.05 multiplied by the number of operating months divided by 12.

$$\text{i.e. } L4 = (L3 \times 0.05) (\text{Operating Months} \div 12)$$

- L5 Closing Balance of Undepreciated Capital** Subtract Prorated Depreciation from Total Undepreciated Capital.

$$\text{i.e. } L5 = L3 - L4$$

- L6 Direct Operating Costs** Enter the estimated total of allowable direct operating costs.

- L7 Overhead Allowance (10% of Total DOC)** Enter an amount for overhead that is 10 percent of the estimated Direct Operating Costs.

$$\text{i.e. } L7 = L6 \times .10$$

- L8 Estimated Total Operating Costs (Total DOC + Overhead)** Enter the sum of Total DOC and Overhead.

$$\text{i.e. } L8 = L6 + L7$$

- L9 Working Capital Allowance** Enter as the Working Capital Allowance one-sixth of the estimated Direct Operating Costs and Overhead Allowance.

$$\text{i.e. } L9 = L8 \div 6$$

ESTIMATED TOTAL COST ALLOWANCE (Option B) cont'd

L10 Rate Base Enter the sum of average net depreciable capital plus Land Value plus Working Capital Allowance.

$$\text{i.e. } L10 = (L1 + L5) \div 2 + C1 + L9$$

L11 Return on Rate Base Enter 15.0 percent (effective June 1, 1998) of the Rate Base prorated over the operating months in the claim year.

$$\text{i.e. } L11 = .15 \times L10 \times A2 \div 12$$

L12 Estimated Total Gas Cost Allowance Enter the sum of Prorated Depreciation, Direct Operating Costs, Overhead Allowance and Return on Rate Base.

$$\text{i.e. } L12 = L4 + L8 + L11$$

FACILITY OPERATOR

M1 Signature An authorized representative of the operator must certify that the preceding information is correct.

M2 Name Print clearly the name of the signatory in M1 above.

M3 Telephone Enter the signatory's telephone number.

M4 Fax Enter the signatory's fax number.

SCHEDULE I

ALLOWABLE CAPITAL EXPENDITURES

This schedule lists allowable capital expenditures associated with producer-owned gas plants and sales lines.

Direct Depreciable Expenditures

- Air strips;
- Commissioning and start-up;
- Communication controls not associated with the production functions;
- Corrosion protection;
- Plant site surveys, easements or rights-of-way;
- Effluent basins and facilities for process water;
- Emergency flare stacks and relief facilities;
- Engineering and inspection services;
- Fire fighting and safety equipment;
- Loading facilities, railway spur lines, storage or other facilities on the plant site;
- Meter runs and measurement equipment;
- Process and sales compression;
- Pollution monitoring and seepage detection equipment;
- Processing facilities (includes sulphur recovery facilities) and associated piping;
- Processing studies that relate directly to the plant process used;
- All weather main access roads located in British Columbia to producer-owned gas plants located in British Columbia;
- Interior plant gate roads, bridges, walkways and fences;
- Sales gas pipeline (producer-owned);
- Warehouses, laboratories, plant offices and buildings for processing facilities only;
- Water treatment facilities if water is used for processing.

NOTE:

- (1) *Construction overhead equal to one percent (1%) of the total capital additions in the claim year may also be included as a depreciable capital addition.*
- (2) *Where a Depreciable Expenditure relates to both processing and production activities, an allocation of the expenditure should be made between the plant and field operations.*
- (3) *Where a producer-owned plant and/or sales line is purchased by another producer, who continues to operate the facilities as a producer-owned plant and/or sales line, the capital cost of any Gas Cost Allowance Applications shall be equal to the original construction costs plus any allowable capital additions less any depreciation deducted prior to the purchase date.*
- (4) *Where a gas plant is not in operation for each month in the calendar year, the calculation of depreciation and return on rate base is to be prorated based on the number of operating months divided by twelve.*
- (5) *Where an all weather main access road has been constructed prior to January 1, 2000, the undepreciated capital costs of the producer-owned road are to be added as an allowable capital expenditure into the rate base of the producer-owned gas plant.*

SCHEDULE I cont'd

- (6) *When an all weather main access road originates in Alberta, only capital costs associated with the portion of the road located in British Columbia qualify as an eligible gas cost allowance expenditure.*

Non-Depreciable Expenditures

- Purchased cost of land.

SCHEDULE II

CAPITAL EXPENDITURES NOT ALLOWED

This schedule lists capital expenditures not allowed for GCA purposes in the construction of producer-owned gas plants and sales lines.

- Communication Controls associated with the production function; (i.e., production SCADA systems)
- Downhole, wellhead, protection, controlling, servicing, testing, salt water and other production facilities or equipment relating to the production function;
- Field compression (Note: Capital costs associated with “field” compression located on the plant site are not allowed.);
- Field Dehydration within the plant gate;
- Gathering systems including line heaters, dehydration, sweetening and pigging facilities;
- Housing, other than those costs directly attributable to the processing function as they relate to natural gas;
- Interest costs;
- Lines, compressors, wells and other significant facilities or equipment relating to the injection function;
- Roads, bridges, walkways and fences for producer-owned roads other than all weather main access roads to producer-owned gas plants located in British Columbia;
- Storage, separators, dehydrators, scrubbers, boots and any other facilities or equipment relating to gas conservation and oil;
- Vehicles, aircraft and mobile equipment.

NOTE: *Gathering system, field dehydration and field compression costs are covered by the Province’s Producer Cost of Service allowance.*

SCHEDULE III ALLOWABLE DIRECT OPERATING COSTS

This schedule lists allowable direct operating costs associated with producer-owned gas plants and sales lines.

- Labour;
- Direct Supervision;
- Materials used during the claim period;
- Fuel Tax;
- Chemicals used in the plant process;
- Transportation of materials and chemicals for use in the plant;
- Contract services;
- Utilities;
- Maintenance;
- Direct Insurance other than Loss of Revenue;
- Property taxes (plant site only);
- Surface rentals;
- Purchased fuel gas;
- Maintenance for all weather main access roads located in British Columbia to producer-owned gas plants located in British Columbia;
- Overhead allowance.
- Licenses, Dues, Fees, Surveys and Inspections relating to the processing function;
- Telecommunications;
- Camp Costs.

NOTE:

- (1) *Where an operating expenditure relates to both processing and production activities, an allocation of the expenditure should be made between the plant and field operations.*
- (2) *Where road maintenance costs are recovered from users of the main access road, the recoveries should be included in the GCA claim as a reduction of total road maintenance costs.*
- (3) *When an all weather main access road originates in Alberta, only operating costs associated with the portion of the road located in British Columbia qualify as an eligible gas cost allowance expenditure.*

SCHEDULE IV
OPERATING COSTS NOT ALLOWED

This schedule lists operating costs not allowed for GCA purposes in the operation of producer-owned gas plants and sales lines.

- Operating costs relating to production, gathering systems, field compression, field dehydration, gas conservation, injection or oil functions;
- Production monitoring, controlling and communication costs;
- Operating costs associated with all non-allowed capital costs;
- Loss on disposal of capital;
- Indirect insurance costs and Loss of Revenue insurance;
- Tax levies as applied by the Government of British Columbia;
- Road maintenance for producer-owned roads other than all weather main access roads to gas plants located in British Columbia;
- Production, gathering system and field compression lease rentals;
- Petroleum and natural gas royalties;
- Overhead, administrative and indirect charges.