MINES AND MINERALS ACT

OIL SANDS ALLOWED COSTS
(MINISTERIAL) REGULATION

Alberta Regulation 231/2008

With amendments up to and including Alberta Regulation 45/2014

Office Consolidation

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(Consolidated up to 45/2014)

ALBERTA REGULATION 231/2008
Mines and Minerals Act
OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION

Table of Contents

1 Interpretation
2 Return allowance rate

Part 1
Requirements for Allowed Costs

3 Allowed costs
4 Fundamental costs
5 Discretionary allowed costs
6 Evidence of costs
7 Reduction of allowed cost

Part 2
Amount of Costs and Charges

Division 1
Allocation of Allowed Costs

8 Allocation
8.1 Allocation for a Project that is part of an integrated project
8.2 Allocation for a Project that is not part of an integrated project
8.3 Ministerial determination
8.4 Terms and conditions in orders

Division 2
Non-arm’s Length Costs and Charges

9 Application of this Division
10 Fair market value for costs
12 Cost of non-arm’s length goods and services
12.1 Cost of service determination definitions
12.2 Cost of service determination for capital asset or engineering system
12.3 Determination of cumulative capital cost
12.4 Determination of return on capital
12.5 Determination of unit charge
12.6 Determination of depreciation charge
12.7 Rules used to determine depreciation and return on capital
13 Cost of non-arm's length capital assets or engineering systems
13.1 Definitions for valuation of transferred heat
13.2 Determining the value of useful heat
13.3 Determining components for calculating value of useful heat transferred
13.4 Methodologies may be specified
13.5 Calculation of site wide thermal energy value
13.6 Results of calculation of value of useful heat transferred
14 Calculated value

Part 3
Deemed Allowed Costs
15 Allowed costs on and after January 1, 2009
16 Carry-over of allowed costs under Prior Regulation

Part 4
Expiry and Coming into Force
17 Expiry
18 Coming into force

Schedules

Interpretation
1(1) In this Regulation,
(a) “basic service”, in respect of a Project, means a service
   (i) without which oil sands or oil sands products to be recovered or obtained pursuant to the Project could not physically be so recovered or obtained, or
   (ii) necessary for the operation or maintenance of a core or supporting asset referred to in section 1(1)(f)(i) of the Oil Sands Royalty Regulation, 2009 (AR 223/2008),
   performed utilizing a core or supporting asset that is not included in the description of the Project, but does not include a service the cost of which is corporate overhead;
(b) “corporate overhead”, in respect of a Project, means costs that are not directly and solely incurred for the purposes
of Project operations, including, without limitation, expenses in relation to

(i) information technology,

(ii) performance of human resource functions,

(iii) office space and office operations,

(iv) accounting services,

(v) research, and

(vi) any other corporate operation or purpose;

(c) “cost of service”, in respect of a service performed by any person, means the actual cost to the person to perform the service, except that the portion of the actual cost attributable to the use of a capital asset or engineering system is

(i) an amount determined in accordance with the Minister’s directions as depreciation in respect of the cost of the capital asset or engineering system determined in accordance with sections 12.6 and 12.7, and

(ii) a return on the undepreciated portion of the cost of the capital asset or engineering system determined in accordance with sections 12.4 and 12.7;

(d) “cumulative cost” has the meaning given to it in section 25 of the Oil Sands Royalty Regulation, 2009 (AR 223/2008);

(e) “cumulative revenue” has the meaning given to it in section 25 of the Oil Sands Royalty Regulation, 2009 (AR 223/2008);

(f) “environmental laws” means legally enforceable obligations in respect of the environment imposed by Acts or regulations of the Government of Alberta or Canada or bylaws of a municipality in Alberta, and includes any levies or charges based on levels of production, consumption or emissions, but does not include taxes;

(g) “fair market value” means fair market value as determined by the Minister in accordance with section 10;

(h) “fundamental cost” means a cost described in section 4, but does not include a specifically included cost, a
specifically excluded cost or a cost excluded from allowed costs under section 3(2);

(i) repealed AR 19/2012 s2;

(j) “return allowance rate” means return allowance rate as determined under section 2;

(k) “specifically excluded costs” means costs listed in, or costs of activities listed in, column 2 of Schedule 1;

(l) “specifically included costs” means costs listed in, or costs of activities listed in, column 1 of Schedule 1;

(m) “syngas” means a mixture of gases mainly comprising carbon monoxide and hydrogen produced by the gasification of asphaltenes, petroleum coke or coal;

(n) “upgrader produced fuel gas” means a mixture of primarily hydrocarbon gases, natural gas liquids and olefins produced by upgrading operations.

(2) Sections 1, 2, 3, 5, 6, 8.1, 10(2.1), (2.2) and (4), 11.1(5) 14, 18, 19, 39, 48 and 50 of the Oil Sands Royalty Regulation, 2009 (AR 223/2008) apply with respect to this Regulation unless otherwise specified in this Regulation or otherwise required by necessary implication.

AR 231/2008 s1;19/2012;104/2013

Return allowance rate

2(1) The return allowance rate for any month is the rate calculated in accordance with the following formula:

\[ mr = (1 + LTBR)^{(1/12)} - 1 \]

where

mr is the return allowance rate for the month;

LTBR is the simple average of the Selected Government of Canada long-term benchmark yields, published as a percentage and for the purposes of this formula expressed in a decimal format, specified for the Wednesdays of the preceding month in the Weekly Financial Statistics next published by the Bank of Canada after the last of those Wednesdays of that preceding month.

(2) The return allowance rate for a Period is the simple average of the Selected Government of Canada long-term benchmark yields specified for the last Wednesday of each month of the Period in
Weekly Financial Statistics next published by the Bank of Canada after each of those Wednesdays.

(3) If the long-term benchmark yields referred to in subsections (1) and (2) cease to be published by the Bank of Canada for any period of time, the Minister may prescribe a substitute benchmark yield to be used for the purposes of subsections (1) and (2) in the place of those long-term benchmark yields.

Part 1

Requirements for Allowed Costs

Allowed costs

3(1) A cost is an allowed cost of a Project to the extent that

(a) the cost

   (i) is incurred by or on behalf of the lessee or operator of the Project,

   (ii) is incurred on or after the later of January 1, 2009 and the effective date of the Project,

   (iii) is incurred to carry out Project operations,

   (iv) is reasonable under the circumstances in which it is incurred, and

   (v) is adequately evidenced in accordance with section 6 and affirmatively established to the satisfaction of the Minister,

(b) the cost is one of the following:

   (i) a specifically included cost;

   (ii) a fundamental cost of the Project under section 4;

   (iii) a cost approved by the Minister under section 5,

and

(c) the cost is not a specifically excluded cost or a cost excluded from allowed costs under subsection (2).

(1.1) Subject to the other provisions of this Regulation, the amount of the capital cost of a core or supporting asset that is included in the description of a Project is an allowed cost of the Project.

(2) If the lessee or operator of a Project obtains a core or supporting asset that is not included in the description of the
Fundamental costs

4(1) Fundamental costs of a Project are costs incurred directly

(a) to recover, obtain, process or transport oil sands or oil sands products, or to market oil sands products, pursuant to the Project,

(b) to reclaim or abandon Project lands, or

(c) to comply with environmental laws applicable to the Project or applicable to a lessee or operator of the Project in respect of the Project.

(2) Fundamental costs of a Project do not include costs incurred in respect of

(a) corporate overhead,

(b) lands other than Project lands, or

(c) an expansion of the Project before the effective date of the Project expansion.

Discretionary allowed costs

5(1) The operator of a Project may apply to the Minister for approval of any of the following as an approved cost of the Project:

(a) a cost that has been incurred;

(b) a cost that is being incurred;

(c) a cost that will be incurred.

(2) The Minister may approve a cost as an approved cost of the Project if

(a) the Minister is satisfied that

(i) the requirements of section 5(2) and (3) of the Oil Sands Royalty Regulation, 2009 (AR 223/2008) have been complied with in relation to the application, and
(ii) approving the cost would not expose the Crown to the risk of overstated or unverifiable costs being included in allowed costs of the Project,

and

(b) in the Minister’s opinion, incurring the cost directly and materially benefits the Project operations and is not too remote from the Project operations.

(3) An approval granted under subsection (2) may specify

(a) a term for the approval, which may include a period of time that precedes the date of the approval, and

(b) the terms and conditions to which the approval is subject.

(4) If the Minister is of the opinion that a requirement set out in subsection (2) or a term or condition specified in an approval has not been or is not being met or complied with, the Minister may by notice to the operator of the Project

(a) terminate the approval granted under subsection (2), effective from the date of termination, or

(b) revoke the approval granted under subsection (2), effective from the date of revocation or from a date that precedes the date of revocation.

(5) Termination of an approval in relation to a cost does not preclude a further application under subsection (1) in relation to the cost, and the cost ceases to be treated as an approved cost on the effective date of the termination.

(6) Revocation of an approval in relation to a cost precludes a further application under subsection (1) in relation to the cost, and the cost ceases to be treated as an approved cost on the effective date of the revocation.

AR 231/2008 s5;104/2013

Evidence of costs

6 The lessee or operator of a Project must be capable of providing contracts, invoices, receipts, time sheets and other documents or records that clearly establish

(a) that a cost has been incurred,

(b) the gross and net amounts of the cost, and

(c) that the cost has actually been paid and the date of payment.
Reduction of allowed cost

7(1) An allowed cost of a Project is reduced

(a) to the extent it would not be allowed as a deduction in computing income under the *Income Tax Act* (Canada), if it is in respect of the human consumption of food or beverages or the enjoyment of entertainment,

(b) by the amount of any credit or discount received by the operator or lessee of the Project, or by an affiliate of either of them, that is intended to reduce or offset the cost,

(c) by the amount of any economic assistance, other than economic assistance in the form of a reduction in income tax payable or in the form of a reduction of royalty, royalty proceeds or royalty compensation by virtue of IETP costs, that is

(i) provided by the Province of Alberta or the Government of Canada, or an agency of either, to the operator or lessee of the Project, or to an affiliate of either of them, and

(ii) intended to reduce or offset the cost,

and

(d) to the extent that

(i) the cost was an allowed cost of a Project or a cost previously used in the calculation of royalty in respect of a Project, or

(ii) with respect to a Project for the recovery of oil sands products, the royalty determination for which is the subject-matter of a contract under section 9(a) of the Act, the cost

(A) was included in “Allowed Capital Costs” or in “Allowed Operating Costs”, or

(B) was previously used in the calculation of royalty.

(2) The amount of an allowed cost does not include the amount of any taxes paid or payable under Part IX of the *Excise Tax Act* (Canada) by or on behalf of the lessee of a Project.
Part 2

Amount of Costs and Charges

Division 1

Allocation of Allowed Costs

Allocation

Subject to sections 8.1 to 8.4, where a cost incurred by or on behalf of a lessee of a Project may be an allowed cost only in part, the cost must be allocated by the operator such that a portion of the cost is treated as an allowed cost and the remaining portion of the cost is not treated as an allowed cost.

Allocation for a Project that is part of an integrated project

(1) The methodology for allocating, in respect of a Project that forms part of an integrated project, a portion of the cost of a capital asset or engineering system that is an allowed cost, the portion that is allocable to the integrated upgrader that is not an allowed cost and the portion that is allocable to integrated shared operations as an allowed cost is that set out in Schedules 2 and 3 to this Regulation.

(2) Where a methodology for allocating a cost in respect of an integrated project is set out in Schedule 2, an operator must use that methodology for the purpose of allocating that cost.

(3) The methodology for allocating, in respect of any costs of an integrated project that have been allocated to integrated shared operations, the portion of those costs that are allowed costs of the Project and the portion of those costs that are allocated to the integrated upgrader is that set out in Schedule 3 to this Regulation.

(4) Where a methodology for allocating a cost in respect of integrated shared operations is set out in Schedule 3, an operator must use that methodology for the purpose of allocating that cost.

(5) For the purpose of applying the methodology in Schedule 3 to determine the percentage of the value of energy used by a Project that forms part of an integrated project, the Minister may, by order or otherwise, specify the price per unit of each energy source used by the Project in relation to one or more of the following:

(a) steam;

(b) electricity;

(c) manufactured fuel gases, including syngas and upgrader produced fuel gas;
(d) petroleum coke;

(e) carbon monoxide gas derived from the combustion of petroleum coke;

(f) natural gas.

(6) In respect of a cost that must be allocated pursuant to subsection (1), if an operator is of the opinion that a cost cannot be allocated in accordance with Schedule 2, or a cost that is to be allocated is not listed in Schedule 2, the operator may apply to the Minister, in the manner specified by the Minister, stating its reasoning as to why Schedule 2 cannot be applied to allocate that cost.

(7) Subject to subsection (8), in an application made under subsection (6), an operator must provide its suggestion as to how the cost should be allocated among the Project, the integrated upgrader and the integrated shared operations.

(8) The allocation suggested by the operator in an application made under subsection (6) must allocate a portion of the cost to each of the Project, the integrated upgrader and the integrated shared operations and must apply one or more of the following methodologies:

(a) head count ratios for costs related to facilities or functions that serve personnel, including but not limited to cafeterias, catering and medical facilities;

(b) geographic location for costs relating to facilities, including but not limited to shared parking lots and roads located on Project lands;

(c) the capital cost ratio for the Project, as specified by the Minister by order, for costs including, but not limited to security, fences, site maintenance and procurement staff.

(9) Where the Minister disagrees with the methodology suggested for an allocation pursuant to subsection (8), or the Minister disagrees with the manner in which the suggested methodology is applied, the Minister may by order specify an appropriate methodology to be used for the purpose of the allocation and the manner in which the methodology is to be applied.

(10) Where the Minister accepts an operator’s suggestion for allocation under subsection (7), or the Minister under subsection (9) specifies the methodologies to be used for the purpose of the allocation and the manner in which the methodologies are to be applied, the cost must be allocated to the Project, the integrated upgrader and the integrated shared operations accordingly, and any
costs allocated to the integrated shared operations must be further allocated to the Project pursuant to Schedule 3.

AR 19/2012 s5

Allocation for a Project that is not part of an integrated project

8.2(1) The methodology for allocating, with respect to a Project that does not form part of an integrated project, a portion of the cost of a capital asset or engineering system that is an allowed cost, the portion that is not allocable to the Project, and therefore is not an allowed cost, is that set out in Schedule 2.

(2) Where a methodology for allocating a cost in respect of a Project that does not form part of an integrated project is set out in Schedule 2, an operator must use that methodology for the purpose of allocating that cost.

(3) In respect of a cost that must be allocated pursuant to subsection (2), if an operator of a Project that does not form part of an integrated project is of the opinion that a cost cannot be allocated in accordance with Schedule 2, or a cost that is to be allocated is not listed in Schedule 2, the operator may apply to the Minister, in the manner specified by the Minister, stating its reasoning as to why Schedule 2 cannot be applied to allocate that cost.

(4) In an application made under subsection (3), an operator must provide its suggestion as to how the cost should be allocated between the Project and the portion not allocable to the Project.

(5) The Minister may, by order, approve an operator’s application under subsection (3) if the Minister is satisfied

(a) that

(i) the methodology set out in Schedule 2 cannot, on a sound engineering or economic basis, be applied in respect of the operator’s Project, or

(ii) the methodology for allocating a portion of the cost that is an allowed cost is not listed in Schedule 2,

and

(b) that approving the operator’s suggestion as to how a cost should be allocated will not expose the Crown to the risk of overstated or unverifiable costs being allocated to the Project as allowed costs.

(6) Where the Minister does not approve an operator’s application under subsection (3), or the Minister is of the opinion that the
information used by the operator in calculating the allocation in accordance with Schedule 2 does not justify the portion of the cost that is proposed to be allocated to the Project, the Minister may, by order, substitute the Minister’s own calculation in respect of the allocation of a cost as an allowed cost.

Ministerial determination

8.3(1) The Minister may, with respect to any amount reported to the Minister as an allowed cost of a Project, give the operator a notice requiring the operator to disclose to the Minister within the time specified in the notice

(a) any allocation used by the operator, whether or not included in Schedule 2 or 3, to determine the amount of the allowed costs reported,

(b) the basis and justification for the allocation, and

(c) any documentation and records supporting the allocation.

(2) If the Minister is of the opinion that an allocation disclosed under subsection (1) or otherwise is not fair and reasonable or is not justified by adequate supporting documentation, the Minister may, by notice, direct the operator to supply additional information or otherwise justify the allocation within the time specified in the notice.

(3) After the expiry of the period set out in the notice given under subsection (1) or (2), or both, the Minister may, by order, determine the allocation and the amount of the portion of the cost that is an allowed cost, and must provide the determination of the allocation to the operator.

(4) The Minister may refrain from making a determination under subsection (3) if

(a) the Minister did not receive, in accordance with and within the time specified in a notice given under subsection (1), the items required to be provided pursuant to the notice,

(b) the Minister did not receive, in accordance with and within the time specified in a notice given to the operator under subsection (2), the additional information or further justification required to be provided pursuant to the notice, if a notice was given under that subsection,

(c) the operator did not comply with section 5(2) or (3) of the Oil Sands Royalty Regulation, 2009 (AR 223/2008) in
relation to submission of the items, information or further justification required to be provided pursuant to a notice given under subsection (1) or (2), as the case may be, or

(d) the items received by the Minister pursuant to a notice given under subsection (1), or the additional information or further justification received pursuant to a notice, if any, given under subsection (2) are not, in the Minister’s opinion, adequate for the Minister to make the determination.

(5) If the Minister has made a determination under subsection (3), the portion of the cost that is determined to be an allowed cost is the amount of the allowed cost for the purposes of the Oil Sands Royalty Regulation, 2009 (AR 223/2008).

(6) If the Minister refrains from making a determination under subsection (3), then no portion of the cost that was the subject of the notice given under subsection (1) or (2), as the case may be, is an allowed cost for the purposes of the Oil Sands Royalty Regulation, 2009 (AR 223/2008).

(7) The making of a determination by the Minister under subsection (3) in relation to a cost does not preclude the making of a further determination pursuant to this section in relation to the same cost.

Terms and conditions in orders

8.4(1) An order made by the Minister pursuant to sections 8.1(5) or (9), 8.2(5) or (6) or 8.3(3) may contain any terms and conditions the Minister considers necessary and, in respect of an order that establishes an allocation, must contain the date on which the allocation is in effect.

(2) The effective date of an order of the Minister referred to in subsection (1) may be earlier than the date of the order that contains it, but must not be earlier than January 1, 2011.

Division 2
Non-arm’s Length Costs and Charges

Application of this Division

9(1) This Division applies, in conjunction with Part 1 and sections 8 to 8.4, to the determination of the amount of allowed costs relating to goods, services, capital assets or engineering systems other than goods, services, capital assets or engineering systems acquired pursuant to an arm’s length transaction.
(2) This Division applies to the determination of the amount

(a) of handling charges as defined in section 32(1)(a) of the Oil Sands Royalty Regulation, 2009 (AR 223/2008), other than such handling charges that arise pursuant to an arm’s length transaction, and

(b) of charges included in TRC and DRC, as those terms are defined in section 5(2) and (4) of the Bitumen Valuation Methodology (Ministerial) Regulation (AR 232/2008), other than such charges that arise pursuant to an arm’s length transaction.

(3) Despite the other sections of this Division, if the Minister is of the opinion that a fair market value, calculated value or cost of service determined under this Division duplicates, in whole or in part, a cost or charge of a kind referred to in subsection (1) or (2) that arises pursuant to an arm’s length transaction, the amount of that cost or charge is, as of the date the cost or charge is incurred, deemed to be reduced to the extent of the duplication.

(4) For the purposes of this Division,

(a) the providing of thermal energy for the purposes of a Project is a service,

(b) the transmission and distribution of electricity and the provision of ancillary services as defined in the Electric Utilities Act are services, and

(c) electricity is a good.

Fair market value for costs

10(1) The amount of any fair market value referred to in this Division in relation to a good, service or other asset is the value determined by the Minister in accordance with this section.

(2) Subject to this section, in determining for the purposes of this Division, the fair market value of a good, service or asset, other than the service of transporting a substance by pipeline, the Minister may, without limiting any other method of determining fair market value, adopt

(a) the price of comparable goods, services or assets, if that price is published and generally adopted by buyers and sellers of such goods, services or assets,
(b) a price for comparable goods, services or assets prescribed or determined pursuant to any Act or regulation of the Government of Alberta or Canada, or

(c) an average of the prices paid for comparable goods, services or assets in arm’s length transactions.

(3) The Minister may adjust a price or average of prices referred to in subsection (2) to reflect the most cost effective means of delivery from the place at which the price is determined.

(4) Subject to this section, in determining for the purposes of section 12(1)(a) the fair market value of the service of transporting a substance by pipeline, the Minister may, without limiting any other method of determining fair market value, adopt

(a) a tariff charged for the service, if the tariff is fixed or approved for such service by a regulatory authority having jurisdiction to do so,

(b) the tariff charged for the service by the owner of the pipeline, if, in the Minister’s opinion,

(i) clause (a) does not apply,

(ii) the pipeline is subject to regulation on a complaints basis,

(iii) the tariff is generally agreed to and paid by persons who obtain the service in arm’s length transactions,

(iv) the tariff is just and reasonable in the circumstances,

(v) all tariffs charged for transporting substances by means of the pipeline are published, and

(vi) no tariff or any other term for transporting substances by means of the pipeline unjustly discriminates among persons seeking to obtain or obtaining such service,

or

(c) the weighted average of the prices paid by persons pursuant to arm’s length transactions for comparable service, or if the Minister is satisfied no comparable service is provided, for transporting the substances by means of the pipeline, if, in the Minister’s opinion,

(i) clauses (a) and (b) do not apply,
(ii) the pipeline is subject to regulation on a complaints basis,

(iii) not less than 2/3 of the quantities of oil sands products transported by means of the pipeline during the period the weighted average is adopted are transported pursuant to arm’s length transactions, and

(iv) the weighted average of prices is just and reasonable in the circumstances.

(5) The Minister may adjust a tariff or weighted average of prices referred to in subsection (4) to reflect differences between the terms of service applicable in respect of the tariff or weighted average of prices and the terms of service applicable in respect of the transportation service actually provided.

(6) For the purposes of subsection (4)(b)(ii) and (c)(ii), “subject to regulation on a complaints basis” means subject to a process pursuant to legislation whereby a customer or potential customer for the transportation service can complain regarding the charge for or terms of such service, or both, to a regulatory authority having jurisdiction to hear such a complaint and to fix the charge and terms of service.

(7) Subject to subsection (8), a price, an average of prices or a tariff may be adopted by the Minister pursuant to subsection (2) or (4) for such period or periods as the Minister may specify from time to time.

(8) A price, an average of prices or a tariff adopted by the Minister pursuant to subsection (2) or (4) ceases to apply prior to the end of the period or periods specified under subsection (7) if any requirement specified in subsection (2) or (4) with respect to the adoption of the price, average of prices or tariff ceases to be met.

11 Repealed AR 19/2012 s7.

Cost of non-arm’s length goods and services

12(1) Subject to subsection (3) and section 14, the amount of a cost or charge referred to in section 9(1) or (2) incurred for a good or service, other than a basic service, is

(a) where the Minister is satisfied that a fair market value can reasonably be determined for the good or service, the lesser of

(i) the amount charged for the good or service, and

(ii) the fair market value of the good or service,
or

(b) where the Minister is satisfied that a fair market value cannot reasonably be determined for the good or service, and that the service is performed without utilizing a capital asset or engineering system, the lesser of

(i) the amount charged for the good or service, and

(ii) the actual cost to produce the good or perform the service, incurred by the person who produced the good or performed the service.

(2) Subject to subsection (4) and sections 12.1 to 12.7 and 14, the amount of

(a) an allowed cost of a Project incurred for a basic service, or

(b) a cost or charge referred to in section 9(1) or (2) for any other service for which the Minister is satisfied that a fair market value cannot reasonably be determined and that is performed utilizing a capital asset or engineering system

is the lesser of the amount charged for the service and the cost of service of the person who performs the service.

(3) If a service is performed in order to produce a good referred to in subsection (1)(b) and that service is performed utilizing a capital asset or engineering system, the portion of the actual cost incurred to produce the good that is attributable to the service is, subject to subsection (4),

(a) the fair market value of the service, if the Minister is satisfied that a fair market value can reasonably be determined for the service, or

(b) the cost of service of the person who performs the service, in any other case.

(4) If the Minister is of the opinion that a cost of service cannot be determined for the purposes of subsection (2) or (3) because, in the Minister’s opinion, the circumstances do not reasonably permit the determination of a cost of service, the Minister shall, by notice to the operator of the Project in respect of which the determination is required, provide an estimate of the value of the service for the purposes of subsections (2) and (3).
Cost of service determination definitions

12.1 In this section and sections 12.2 to 13,

(a) “annual capital charge” in respect of a capital asset or engineering system, during a calendar year, means the sum of the depreciation charge for that capital asset or engineering system for the calendar year and the return on capital for that capital asset or engineering system for the calendar year;

(b) “annual operating charge” in respect of a capital asset or engineering system for all or a portion of a calendar year following the date it is first commissioned means the cost incurred during the calendar year to operate the capital asset or engineering system, provided that such costs would be allowed costs, had the capital asset or engineering system formed part of the Project receiving a service;

(c) “capital unit charge”, in respect of a capital asset or engineering system that, in the opinion of the Minister, has a readily identifiable measure of capacity, for a calendar year means, subject to section 12.5(2) and (3), the annual capital charge divided by the units of capacity of that capital asset or engineering system;

(d) “cumulative capital cost” in respect of a capital asset or engineering system is determined in accordance with section 12.3;

(e) “depreciation charge” in respect of a capital asset or engineering system is the amount determined in accordance with sections 12.6 and 12.7;

(f) “End Capital” in respect of a capital asset or engineering system for a calendar year means, subject to section 12.6(b), the greater of

(i) the difference between the Initial Capital of the capital asset or engineering system for the calendar year and the depreciation charge on the capital asset or engineering system for the calendar year, and

(ii) zero;

(g) “Initial Capital” in respect of a capital asset or engineering system for a calendar year means the End Capital of that capital asset or engineering system from the preceding calendar year, plus the cost to construct or acquire additions of a capital nature made to the capital asset or engineering system during the preceding calendar year,
less the net book value of retirements made to the capital asset or engineering system during the preceding calendar year, where

(i) the Initial Capital of a capital asset or engineering system that was in service immediately prior to January 1, 2011, or that provided service at any time prior to January 1, 2011, is the cumulative capital cost of the capital asset or engineering system determined under section 12.3(1)(a), and

(ii) the Initial Capital of a capital asset or engineering system put into service on or after January 1, 2011, is the cumulative capital cost of the capital asset or engineering system determined under section 12.3(1)(b);

(h) “net book value” of a capital asset or engineering system, or part thereof, for the purposes of this Division is the undepreciated portion of the cost to the lessee, operator or other person for whom net book value is being determined, according to

(i) the records of the Department, or

(ii) if the Department has no records, the records of the lessee, operator or other person;

(i) “operating unit charge”, in respect of a capital asset or engineering system that in the opinion of the Minister has a readily identifiable measure of capacity, for a calendar year means, subject to section 12.5(2) and (3), the annual operating charge divided by the actual measured throughput of that capital asset or engineering system during that calendar year;

(j) “rate of return on capital”

(i) as it relates to determining the cost of service where a capital asset or engineering system is used to provide a basic service, is equal to the return allowance rate for the calendar year, as calculated pursuant to section 2(2) and (3), but, for the purposes of this Part, as if section 2(2) referred to “calendar year” instead of “Period”, and

(ii) is equal to the return allowance rate referred to in subclause (i) plus an additional amount, if any, specified by the Minister from time to time by order or otherwise in respect of the capital asset or engineering system, in the case of a capital asset or
engineering system utilized to perform any other kind of service;

(k) “retirement” means, in respect of all or a part of a capital asset or engineering system, the operator has, in the Minister’s opinion, discontinued the use of the capital asset or engineering system by the operator;

(l) “return on capital” means that amount determined in accordance with sections 12.4 and 12.7 for a capital asset or engineering system, for a calendar year;

(m) “unit charge” means that amount determined in accordance with section 12.5 in respect of a capital asset or engineering system;

(n) “units of capacity”, in respect of a capital asset or engineering system having a readily identifiable measure of capacity for a calendar year, means, subject to section 12.5(2) and (3), the greater of

(i) the actual measured throughput during the calendar year, and

(ii) 75% of the expected capacity of that capital asset or engineering system under normal operating conditions for the calendar year as determined by the Minister, taking into account all retirements from the capital asset or engineering system.

(2) For the purposes of this Regulation, costs incurred to construct a capital asset or engineering system do not include

(a) interest or any other borrowing or financing charges that may have been charged during the construction of the capital asset or engineering system, or

(b) the financing component of capital leases.

Cost of service determination for capital asset or engineering system

12.2(1) For the purposes of determining cost of service

(a) when determining the allowed cost to a Project when a non-Project capital asset or engineering system is providing goods or services to the Project, or

(b) when determining the other net proceeds when using a capital asset or engineering system of the Project to
Section 12.2  OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION AR 231/2008

provide goods and services for purposes other than the Project,

the cost of service must be determined in accordance with subsection (2).

(2) The cost of service for a capital asset or engineering system providing a service is

(a) where the capital asset or engineering system has, in the Minister’s opinion, a readily identifiable measure of capacity, the unit charge of the capital asset or engineering system multiplied by the number of units produced for the Project, or

(b) where the capital asset or engineering system does not, in the Minister’s opinion, have a readily identifiable measure of capacity, the sum of the annual capital charge and annual operating charge of the asset or engineering system.

(3) The operator must, in the form specified by the Minister, advise the Minister

(a) within 30 days following the Minister’s request, in respect of each capital asset and engineering system providing services to the Project prior to January 1, 2011, and

(b) within 90 days following the calendar year during which a capital asset or engineering system is first commissioned, if first commissioned on or after January 1, 2011,

of the proposed cumulative capital cost and the Initial Capital,

(c) as of January 1, 2011, in the case of a capital asset or engineering system referred to in clause (a), and

(d) as of the first day of the calendar year in which the capital asset or engineering system is first commissioned, in the case of a capital asset or engineering system referred to in clause (b).

(4) Within 60 days of receiving the completed form referred to in subsection (3), the Minister must notify the operator as to whether the Minister agrees or disagrees with the operator’s determination of cumulative capital cost or Initial Capital, based on the information provided.

(5) If the Minister is satisfied that
(a) the information provided under subsection (3) is accurate and complete and is verified by adequate supporting documentation, and

(b) the operator’s determination of cumulative capital cost or Initial Capital is correct,

the Minister may, by order or otherwise, specify either or both of the cumulative capital cost or Initial Capital of a capital asset or engineering system.

(6) If the Minister is satisfied that the information provided under subsection (3) or otherwise is not accurate and complete or is not verified by adequate supporting documentation, the Minister may, by notice, direct the operator to supply additional information or otherwise justify the operator’s determination of either or both of the cumulative capital cost or Initial Capital of a capital asset or engineering system within the time specified in the notice.

(7) After the earlier of

(a) the expiry of the period set out in the notice given under subsection (6), or

(b) the date on which the Minister receives the additional information or further verification required to be provided under subsection (6),

the Minister may determine either or both of the cumulative capital cost or Initial Capital of a capital asset or engineering system and must provide the determination to the operator.

(8) The Minister may refrain from making a determination under subsection (7) if

(a) the Minister did not receive, in accordance with and within the time specified in a notice given to the operator under subsection (6), the information required to be provided pursuant to the notice,

(b) the Minister did not receive, in accordance with and within the time specified in a notice given to the operator under subsection (6), the additional information or further verification required to be provided pursuant to the notice, if a notice was given under that subsection,

(c) the operator did not comply with section 5(2) or (3) of the *Oil Sands Royalty Regulation, 2009* (AR 223/2008) in relation to submission of the additional information or further verification required to be provided pursuant to a notice given under subsection (6), or
(d) the additional information or further verification received pursuant to a notice, if any, given under subsection (6) is not, in the Minister’s opinion, adequate for the Minister to make the determination.

(9) If the Minister has made a decision under subsection (4) or a determination under subsection (7), the cumulative capital cost or Initial Capital of a capital asset or engineering system that is determined by the Minister is the amount for the purposes of this Regulation.

(10) If the Minister, under subsection (8), refrains from making a determination under subsection (7), then no portion of the capital unit charge or annual capital charge of the capital asset or engineering system that was the subject of the notice given under subsection (6) is an allowed cost for the purposes of the Oil Sands Royalty Regulation, 2009 (AR 223/2008).

(11) The making of a determination by the Minister under subsection (7) in relation to the cumulative capital cost or Initial Capital of a capital asset or engineering system does not preclude the making of a further determination by the Minister pursuant to this section in relation to the same capital asset or engineering system.

AR 19/2012 s9

Determination of cumulative capital cost

12.3(1) The cumulative capital cost in respect of a capital asset or engineering system must be determined as follows:

(a) subject to section 12.7(7), for each capital asset or engineering system that was in service immediately prior to January 1, 2011, or that provided service at any time prior to January 1, 2011, the cumulative capital cost in respect of that capital asset or engineering system on January 1, 2011 is the sum of the costs incurred to construct or acquire the capital asset or engineering system, and all costs incurred prior to January 1, 2011 to construct or acquire each addition of a capital nature made to it, less the sum of the costs originally incurred to construct or acquire any capital assets or engineering systems that were retired prior to that date;

(b) for each capital asset or engineering system that is first commissioned on or after January 1, 2011, the cumulative capital cost of that capital asset or engineering system on the first day of the calendar year in which it is first commissioned is the sum of the costs incurred prior to the first day of that calendar year to construct or acquire that capital asset or engineering system and the costs incurred
Section 12.4  OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION  AR 231/2008

prior to that date to construct or acquire each addition of a capital nature made to it, less the sum of the costs originally incurred to construct or acquire any capital assets or engineering systems that were retired prior to that date.

(2) Subject to section 12.7(3), if an addition of a capital nature is made to a capital asset or engineering system and the addition is first commissioned during a calendar year following the date the cumulative capital cost of that capital asset or engineering system is determined under subsection (1)(a) or (b), the costs incurred to construct or acquire that addition will, on January 1 of the next calendar year, be added to the then-current cumulative capital cost of that capital asset or engineering system.

(3) If a retirement is made during a calendar year following the date the cumulative capital cost of that capital asset or engineering system is determined under subsection (1)(a) or (b), the sum of the costs originally incurred to construct or acquire the retired capital asset or engineering system will, on January 1 of the next calendar year, be subtracted from the then-current cumulative capital cost of the capital asset or engineering system.

Determination of return on capital

Subject to section 12.7, return on capital, in respect of a capital asset or engineering system, for a calendar year, is determined in accordance with the following formula:

\[
\frac{(IC + EC) \times RRC \times \text{number of days}}{365}
\]

where

(a) “EC” means the End Capital of that capital asset or engineering system for that calendar year;

(b) “IC” means the Initial Capital of that capital asset or engineering system for that calendar year;

(c) “number of days” means

(i) in respect of a capital asset or engineering system in service prior to January 1, 2011, for a calendar year in which that capital asset or engineering system is not in retirement, 365,

(ii) in respect of a capital asset or engineering system that is first commissioned on or after January 1, 2011, for the calendar year in which that capital asset or engineering system is first commissioned, the
Section 12.5  OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION  AR 231/2008

number of days in the calendar year following the day the capital asset or engineering system is first commissioned, provided that the capital asset or engineering system continued to provide service for the balance of that calendar year,

(iii) in respect of a capital asset or engineering system that is in service at the beginning of a calendar year, and is placed into retirement during that calendar year, the number of days in the calendar year prior to the capital asset or engineering system being placed into retirement, and

(iv) in respect of a capital asset or engineering system first commissioned on or after January 1, 2011 that is also placed into retirement during the same calendar year, the number of days in the calendar year following the day the asset was first commissioned to the date the capital asset or engineering system was placed into retirement;

(d) “RRC” means the rate of return on capital for that calendar year.

AR 19/2012 s9

Determination of unit charge

12.5(1) Subject to subsection (2), if a capital asset or engineering system has, in the opinion of the Minister, a readily identifiable measure of capacity, the unit charge for that capital asset or engineering system for a calendar year is the sum of the capital unit charge for the calendar year and the operating unit charge for the calendar year.

(2) If an operator can demonstrate to the satisfaction of the Minister that in accordance with sound engineering practice a capital asset or engineering system has been over-sized for the benefit of the Project, when calculating the unit charge under subsection (1), the units of capacity to be used in the determination of both the capital unit charge and the operating unit charge of that capital asset or engineering system are the actual measured throughput of the capital asset or engineering system during that calendar year.

(3) For the purpose of determining units of capacity, the Minister may specify, by order, one or more classes of capital assets or engineering systems where section 12.1(1)(n)(ii) does not apply, so that for a capital asset or engineering system in a class so prescribed, “units of capacity” in respect of that capital asset or engineering system are its actual measured throughput during the calendar year.
(4) For a capital asset or engineering system that does not, in the opinion of the Minister, have a readily identifiable measure of capacity, the cost of service for a calendar year is the sum of the annual capital charge for that calendar year and the annual operating charge for that calendar year.

(5) If there is a need to calculate on a monthly basis the capital unit charge of a capital asset or engineering system providing non-arm’s length services to a Project calculated under subsection (1), or the annual capital charge of a capital asset or engineering system calculated under subsection (3), then the operator must estimate the applicable amount on an annualized basis, and divide the estimate by 12.

(6) The report filed by an operator pursuant to section 39 of the Oil Sands Royalty Regulation, 2009 (AR 223/2008) in respect of a Period must reflect the actual capital unit charge, if applicable, and the cost of service for each capital asset or engineering system for the Period.

AR 19/2012 s9

**Determination of depreciation charge**

**12.6** Subject to section 12.7, the depreciation charge, in respect of a capital asset or engineering system, for a calendar year during which that capital asset or engineering system is providing a service for all or a portion of that calendar year is

(a) for the calendar year in which the capital asset or engineering system is first commissioned on or after January 1, 2011, the product of the cumulative capital cost of that capital asset or engineering system at the beginning of that calendar year multiplied by 0.04, multiplied by the number of days remaining in that calendar year after the date it was first commissioned, divided by 365, and

(b) for each calendar year subsequent to the year in which the capital asset or engineering system is first commissioned, the product of the cumulative capital cost of that capital asset or engineering system at the beginning of that calendar year multiplied by 0.04, provided that if the depreciation charge normally determined for a calendar year is greater than the Initial Capital for that calendar year, then the depreciation charge for that year will be deemed to be equal to the Initial Capital, so that the End Capital for that capital asset or engineering system for that calendar year is zero.

AR 19/2012 s9;104/2013
Section 12.7  OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION  AR 231/2008

Rules used to determine depreciation and return on capital

12.7(1) The rules set out in this section apply for the purpose of determining the depreciation on, and return on capital in respect of, a capital asset or engineering system.

(2) If, prior to January 1, 2011, a capital asset or engineering system has been depreciated, according to the records of the Department, on a basis other than as described in section 12.6, that capital asset or engineering system will continue to be depreciated on that basis until the end of the calendar year in which the first capital addition to it was made, subject to subsection (3).

(3) If the costs of any addition to a capital asset or engineering system

(a) are less than 10% of the cumulative capital cost of the capital asset or engineering system at the time the addition is first commissioned, and

(b) would otherwise fit the eligibility requirements under this Regulation as an allowed cost, had the capital asset or engineering system formed part of the Project receiving the service,

the costs of the addition are deemed to be a cost to operate the capital asset or engineering system, as the case may be, and must not be added to the Initial Capital or the cumulative capital cost of the capital asset or engineering system.

(4) Subject to subsection (3), the costs to construct or acquire any additions to a capital asset or engineering system that arise over two or more Periods are deemed to have been incurred in the calendar year in which the addition, in its entirety, is first commissioned.

(5) The cost to construct or acquire an addition to a capital asset or engineering system must be added to the End Capital of that capital asset or engineering system for the calendar year in which it is first commissioned for the purpose of determining the Initial Capital of the capital asset or engineering system as of January 1 of the next calendar year.

(6) If a capital asset or engineering system, or a portion of it, is placed into retirement, the net book value of the retirement must be subtracted from the End Capital for the calendar year in which it is retired for the purpose of determining the Initial Capital of the capital asset or engineering system as of January 1 of the next calendar year, and if the Initial Capital of the capital asset or engineering system as of January 1 of that next calendar year after applying subsection (5) is less than zero, the Initial Capital is deemed to be zero.
(7) For a capital asset or engineering system in service prior to January 1, 2011, for which depreciation on a straight line basis has been taken into consideration in determining the cost of service for that capital asset or engineering system for goods and services provided prior to January 1, 2011, and for which the operator cannot provide evidence satisfactory to the Minister of the cumulative capital cost, the cumulative capital cost of the capital asset or engineering system is the amount of depreciation charged in the previous calendar year according to the records of the Department multiplied by the number of years over which the straight line depreciation is based.

(8) Subject to subsections (4) and (5), if a capital asset or engineering system breaks down or otherwise ceases to provide service during a calendar year, depreciation on, and return on capital in respect of, that capital asset or engineering system for that calendar year will continue to be calculated as though the breakdown or loss of service had not occurred.

(9) For greater certainty, subsection (8) applies regardless of the length of the period of breakdown or loss of service and regardless of whether it is temporary or permanent.

Cost of non-arm’s length capital assets or engineering systems

13 The amount of an allowed cost of the Project incurred for a capital asset or engineering system that is included in the description of the Project is the least of

(a) the amount charged to the Project for the capital asset or engineering system,

(b) the fair market value of the capital asset or engineering system, where the Minister is satisfied that a fair market value can reasonably be determined, and

(c) the net book value of the capital asset or engineering system

(i) to the lessee or operator of the Project, as the case may be, if the capital asset or engineering system is not obtained by either from another person, or

(ii) to any other person from whom the capital asset or engineering system is obtained by the lessee or operator of the Project,
at the time when the capital asset or engineering system is
delivered to the Project site.

**Definitions for valuation of transferred heat**

**13.1(1)** In this section and sections 13.2 to 13.6,

(a) “average hourly bitumen production rate” is the rate
determined under section 13.3(b), expressed in cubic
metres per hour;

(b) “GRP” for a month is the Gas Reference Price for that
month as prescribed by the Minister pursuant to section 7
of the *Natural Gas Royalty Regulation, 2009*
(AR 221/2008);

(c) “net hourly average synergy-adjusted useful heat transfer
rate” is the rate determined under section 13.3(a),
expressed in gigajoules per hour, which will be greater
than zero if, on a net basis, useful heat is transferred from
the non-Project components of an integrated project to the
Project, and will be less than zero if, on a net basis, useful
heat is transferred from the Project to the non-Project
components of the integrated project;

(d) “net synergy-adjusted useful heat transfer per unit of
bitumen” means, in respect of a Project that comprises
part of an integrated project, the quotient obtained by
dividing the net hourly average synergy-adjusted useful
heat transfer rate by the average hourly bitumen
production rate, expressed in gigajoules per cubic metre;

(e) “net synergy-adjusted useful heat transfer quantity”
means, in respect of a Project that comprises part of an
integrated project, in any month or Period, the product of
the net synergy-adjusted useful heat transfer per unit of
bitumen for that Project and the quantity of bitumen, in
cubic metres, delivered in that month or Period to the
royalty calculation point of the Project, expressed in
gigajoules;

(f) “site wide thermal energy value” with respect to an
integrated project, in any month or Period, is the
energy-weighted average cost, expressed in dollars per
gigajoule, of all fuels used to produce heat in the
integrated project, for that month or Period;

(g) “synergy factor” is 0.66;
Section 13.2  OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION  AR 231/2008

(h) “useful heat” means heat that is put to use in Project operations.

AR 19/2012 s11

Determining the value of useful heat

13.2 For the purposes of determining the value of useful heat in process streams transferred to or from a Project that forms part of an integrated project, the Minister may, by order or otherwise, specify any of the following or specify methodologies for determining any of the following:

(a) the value of
   (i) transferred heat,
   (ii) manufactured fuel gases, including syngas and upgrader produced fuel gas,
   (iii) petroleum coke,
   (iv) carbon monoxide gas derived from the combustion of petroleum coke, and
   (v) natural gas;
(b) the net synergy-adjusted useful heat transfer per unit of bitumen;
(c) the site wide thermal energy value.

AR 19/2012 s11

Determining components for calculating value of useful heat transferred

13.3 For each Project that comprises part of an integrated project, the Minister shall determine

(a) the net hourly average synergy-adjusted useful heat transfer rate, with respect to heat in process streams, according to engineering design specifications and under normal operating conditions, between the non-Project components of the integrated project and the Project, expressed in gigajoules per hour,

(b) the average hourly bitumen production rate of the Project, expressed in cubic metres per hour, according to engineering design specifications and under normal operating conditions, and
(c) the site wide thermal energy value, expressed in dollars per gigajoule.

AR 19/2012 s11

Methodologies may be specified

13.4(1) The Minister may, by order or otherwise, specify the methodologies required to calculate

(a) the net hourly average synergy-adjusted useful heat transfer rate of an integrated project,

(b) the average hourly bitumen production rate of a Project that forms part of an integrated project, and

(c) the site wide thermal energy value of an integrated project.

(2) If the operator of a Project that comprises part of a integrated project is of the opinion that one or more of the methodologies specified by the Minister in respect of those items listed in subsection (1) are not applicable to or appropriate for the Project that forms part of the integrated project, the operator may apply to the Minister, in the manner specified by the Minister, stating its reasoning as to why the methodology or methodologies are not applicable or appropriate.

(3) In an application made under subsection (2), an operator must provide its suggestion as to what methodology or methodologies it considers applicable or appropriate.

(4) Where the Minister disagrees with the methodology or methodologies suggested by the operator pursuant to subsection (3), the Minister may by order specify the methodology or methodologies to be used, which may differ from the methodology or methodologies prescribed in subsection (1) and those suggested by the operator under subsection (3).

(5) The Minister may, on his own initiative or on the request of an operator or lessee, from time to time recalculate one or more of the items referred to in subsections 13.3(a) to (c).

AR 19/2012 s11

Calculation of site wide thermal energy value

13.5 In determining the site wide thermal energy value for an integrated project,

(a) the cost of any natural gas used to generate heat must be calculated in accordance with this Regulation.
(b) the cost of any syngas used to generate heat in a month must be calculated as 100% of the GRP for that month,

(c) the cost of any upgrader produced fuel gas used to generate heat in a month must be calculated as 90% of the GRP for that month, and

(d) the cost of any petroleum coke used to generate heat is deemed to be zero.

Results of calculation of value of useful heat transferred

13.6(1) If the product of the net synergy-adjusted useful heat transfer quantity for an integrated project and the site wide thermal energy value of that integrated project for a month or Period is greater than zero, that product is an allowed cost of the Project that forms part of the integrated project for that month or Period.

(2) If the product of the net useful synergy-adjusted heat transfer quantity for an integrated project and the site wide thermal energy value of that integrated project for a month or Period is less than zero, the additive inverse of that product forms an other net proceed of the royalty Project that forms part of the integrated project for that month or Period.

Calculated value

14(1) If the Minister is of the opinion that a fair market value or a cost of service, that is required by a provision of this Division to be used in determining the amount of an allowed cost, cannot reasonably be determined pursuant to this Division, the Minister may, employing engineering, economic or financial principles, determine a calculated value for the fair market value or cost of service, as the case may be.

(2) If the Minister has determined a calculated value pursuant to subsection (1), the calculated value is to be used in the relevant provision of this Division in place of the required fair market value or cost of service, as the case may be.

Part 3
Deemed Allowed Costs

Allowed costs on and after January 1, 2009

15(1) The net loss of a Project for a post-payout Period commencing on or after January 1, 2009 is an allowed cost of the Project for the next post-payout Period.
(2) Any royalty compensation paid in respect of royalty calculated under section 29(2)(a) of the *Oil Sands Royalty Regulation, 2009* (AR 223/2008) in respect of a Project for a post-payout Period commencing on or after January 1, 2009 is, to the extent it exceeds the royalty compensation that would otherwise have been paid in respect of royalty calculated under section 29(2)(b) of that Regulation in respect of the Project for the same Period, an allowed cost of the Project for the next post-payout Period.

(3) The product calculated by multiplying

(a) the excess, if any, of

   (i) the cumulative cost of a Project as of the last day of a month of a pre-payout Period of the Project commencing on or after January 1, 2009,

   over

   (ii) the cumulative revenue of the Project as of the same day,

by

(b) the return allowance rate for the month

is an allowed cost of the Project for the following month, unless subsection (6) applies.

(4) The product calculated by multiplying the return allowance rate of a Project for a post-payout Period commencing on or after January 1, 2009

(a) by the product of 183/365 and the net loss, if any, of the Project for the Period, if

   (i) the preceding post-payout Period also commenced on or after January 1, 2009 and a net loss did not also arise in respect of the Project for that preceding post-payout Period, or

   (ii) the preceding post-payout Period ended on December 31, 2008 and a net loss, as defined in the Prior Regulation, did not also arise in respect of the Project for that preceding post-payout Period,

(b) by the net loss, if any, of the Project for the Period, if

   (i) the preceding post-payout Period also commenced on or after January 1, 2009 and a net loss also arose in respect of the Project for that preceding post-payout Period, or
(ii) the preceding post-payout Period ended on December 31, 2008 and a net loss, as defined in the Prior Regulation, also arose in respect of the Project for that preceding post-payout Period,

or

(c) by the portion specified by the Minister of the net loss, if any, of the Project for the Period, in any other case,

is an allowed cost of the Project for the next post-payout Period, unless subsection (6) applies.

(5) The prior net cumulative balance of a Project expansion is, to the extent it is a positive amount, an allowed cost of the Project to which the expansion relates, for the Period in which the effective date of the Project expansion occurs, if that Period is a post-payout Period.

(6) The products referred to in subsection (3) in respect of any month of a pre-payout Period of a Project and in subsection (4) in respect of a post-payout Period of the Project, as the case may be, are not allowed costs of the Project for the next month or next post-payout Period, respectively, if the Minister has notified the operator of the Project that the Minister is of the opinion that operations in respect of the Project have been or are substantially suspended or abandoned for a period of time and the month or post-payout Period, respectively, falls within that period.

(7) The excess, if any, of

(a) the cumulative cost of a Project as of the day preceding the Project payout date, where the Project payout date is on or after January 1, 2009,

over

(b) the cumulative revenue of the Project as of the same day

is an allowed cost of the Project for the Period starting on the Project payout date.

(8) If the unit price applicable to the quantity of blended bitumen containing the Crown’s royalty share of cleaned crude bitumen obtained pursuant to a Project and delivered at a royalty calculation point for the cleaned crude bitumen in a month of a pre-payout Period or in a post-payout Period

(a) is zero or a negative amount, the cost of diluent included in the blended bitumen is an allowed cost of the Project for the next month or Period, respectively, or
(b) is a positive amount, the excess, if any, of

(i) the cost of diluent included in the blended bitumen,

over

(ii) the product of the unit price and the quantity of the blended bitumen

is an allowed cost of the Project for the next month or Period, respectively.

(9) If an amendment of a Project is approved under section 11(2) of the Oil Sands Royalty Regulation, 2009 (AR 223/2008) that provides for the amalgamation of

(a) a Project for which the Project payout date has not occurred as of the day preceding the effective date of the amendment, and

(b) one or more other Projects for at least one of which the Project payout date has occurred as of the day preceding the effective date of the amendment,

the excess, if any, of

(c) the cumulative cost of the Project referred to in clause (a) as of the last day preceding the amendment Period of the Project,

over

(d) the cumulative revenue of the Project as of that last day

is an allowed cost of the amalgamated Project for the first amalgamated Period of the amalgamated Project.

(10) In subsection (9), “amendment Period”, “amalgamated Project” and “first amalgamated Period” have the meaning given to those terms in section 24 of the Oil Sands Royalty Regulation, 2009 (AR 223/2008).

AR 231/2008 s15;104/2013

Carry-over of allowed costs under Prior Regulation

16(1) If an amount is, pursuant to section 4(a), (b) or (d) of Schedule 1 or 2 of the Prior Regulation, as the case may be, an allowed cost of a Project for a next post-payout Period of the Project and that next Period commences on January 1, 2009, that amount is, for the purposes of this Regulation and without duplication, an allowed cost of the Project for that next Period, unless subsection (3) applies.
(2) If an amount is, pursuant to section 4(c) of Schedule 1 or 2 of the Prior Regulation, as the case may be, an allowed cost of a Project for a following month and that following month is January 2009, that amount is, for the purposes of this Regulation and without duplication, an allowed cost of the Project for January 2009, unless subsection (3) applies.

(3) The products referred to in section 4(c) and (d) of Schedules 1 and 2 of the Prior Regulation that are otherwise deemed by subsection (1) or (2) of this section, respectively, to be allowed costs of a Project in respect of the post-payout Period of the Project commencing January 1, 2009, or in respect of January 2009, as the case may be, are not allowed costs of the Project if the Minister has notified the operator of the Project that the Minister is of the opinion that operations in respect of the Project have been or are substantially suspended or abandoned for a period of time and the post-payout Period of the Project ending December 31, 2008, or December of 2008, respectively, falls within that period.

Part 4
Expiry and Coming into Force

Expiry
17 For the purpose of ensuring that this Regulation is reviewed for ongoing relevancy and necessity, with the option that it may be repassed in its present or an amended form following a review, this Regulation expires on November 30, 2018.

Coming into force
18 This Regulation comes into force on January 1, 2009.

Schedule 1

<table>
<thead>
<tr>
<th>Item</th>
<th>Column 1 Specifically Included Costs</th>
<th>Column 2 Specifically Excluded Costs</th>
</tr>
</thead>
</table>
| 1    | Obtaining Regulator approvals required for the Project as follows:  
- preparing and presenting the application to the Regulator ("Regulator application") for approval of Project operations, or facilities, to be included in the Project  
- acquiring baseline environmental data required for the Regulator application  
- preparing and supporting environmental impact assessments for those areas required by the | |
<table>
<thead>
<tr>
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<th>Column 2 Specifically Excluded Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulator</td>
<td>- holding community or stakeholder meetings to obtain feedback and concerns regarding the Regulator application</td>
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<td>2</td>
<td>Preparation of the Project lands for oil sands mining, including:</td>
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<td></td>
<td>- tree clearing and removing and stockpiling overburden on Project lands, and drilling geotechnical wells on Project lands for siting Project mines and facilities</td>
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<td>2.1</td>
<td>Construction of facilities or assets on Project lands, including well pads, access roads and containment berms, including:</td>
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<tr>
<td></td>
<td>- the quarrying on Project lands of construction materials required for these activities</td>
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<td>2.2</td>
<td>Construction of those facilities or assets located off Project lands and specifically listed within the description of the Project as being a Project facility or asset</td>
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<td>3</td>
<td>In relation to oil sands mining Projects, the acquisition and operation of:</td>
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<td></td>
<td>- shovels, dozers, trucks, mining and construction equipment and similar earth moving equipment</td>
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<td>4</td>
<td>In relation to recovering in-situ oil sands products, the following activities on Project lands:</td>
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<td></td>
<td>- drilling, re-drilling, completing, recompleting, plugging and abandoning and deepening wells</td>
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<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<td></td>
<td>for the recovery of oil sands product</td>
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<td></td>
<td>- constructing well pads and surface facilities</td>
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<td></td>
<td>- pumping systems for the recovery of oil sands products</td>
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<td></td>
<td>- gathering and processing solution gas, unless the assets required are removed from the description of the Project</td>
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<td></td>
<td>- installing lift gas systems, casing gas and solution gas separation and conservation equipment</td>
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<td></td>
<td>- removing basic sediment and water, gas and solvents using crude bitumen separators</td>
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<td>- heating bitumen in tank heaters</td>
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<td></td>
<td>- treating raw water, de-oiling produced water and bitumen and recycling produced water</td>
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<td></td>
<td>- installing fuel gas compression and distribution systems</td>
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<td></td>
<td>- installing and operating flare systems composed of flare headers, knock-out drums and flare stacks</td>
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<td></td>
<td>- blending diluent and operating diluent blending facilities</td>
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<td></td>
<td>- constructing and operating steam generation facilities for in-situ operations</td>
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<td></td>
<td>- drilling or converting existing wells to observation wells, water source wells, water disposal wells or injection wells for water, steam or emulsion</td>
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<td></td>
<td>- enhancing primary production with water, polymer and solvent floods and gas injection</td>
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<td></td>
<td>- constructing and operating water, effluent, bitumen, steam, gas and solvent pipelines</td>
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<td></td>
<td>- constructing and operating surface disposal pits</td>
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<td>5</td>
<td>Drilling and completing gas wells,</td>
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<td>Item</td>
<td>Column 1: Specifically Included Costs</td>
<td>Column 2: Specifically Excluded Costs</td>
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<td></td>
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<td>or converting bitumen or other wells to a crude oil or natural gas well</td>
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<td></td>
<td></td>
<td>Any work on any portion of a crude oil or natural gas well</td>
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</tbody>
</table>
| 6    | In relation to recovering oil sands from mining Projects, the construction, acquisition and operation of the following equipment or facilities on Project lands:  
- truck dump hoppers  
- crushers and sizers  
- surge bins, conveyors, feeders  
- separation cell feed sumps, conditioning drums, feed conveyors, rotary breakers, vibrating screens  
- reject conveyors, oversize rejects bin  
- pump boxes, hot and fresh water pipelines  
- power transmission lines to ore preparation and conditioning facilities  
- hot process water exchangers, hydro transport units, including pumps, surge cells and pipelines | |
| 7    | In relation to primary extraction of oil sands products from oil sands in mining Projects, the construction, acquisition and operation of the following equipment or facilities on Project lands:  
- separation cells, secondary flotation systems, hydro cyclone banks and tertiary flotation systems  
- tailings pump stations and separation bottoms density control systems  
- feed pumps, pipelines and electrical systems | |
<p>| 8    | In relation to secondary extraction of oil sands products from oil sands in mining Projects, the construction, acquisition and operation of the following equipment or facilities on | |</p>
<table>
<thead>
<tr>
<th>Item</th>
<th>Column 1 Specifically Included Costs</th>
<th>Column 2 Specifically Excluded Costs</th>
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<tbody>
<tr>
<td></td>
<td>Project lands:</td>
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<tr>
<td></td>
<td>- raw bitumen pipelines</td>
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<td></td>
<td>- froth launderers, settlers, de-</td>
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<td>aerators, froth recycle system and</td>
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<td></td>
<td>feed pumps</td>
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<td></td>
<td>- centrifuge feed systems, flotation</td>
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<td></td>
<td>banks or scavenger banks and</td>
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<td></td>
<td>interstage storage tanks</td>
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<td></td>
<td>- froth pumps, froth settler bottoms</td>
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<td></td>
<td>pumps, inclined plate separation</td>
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<td>units, cyclone banks, sumps and</td>
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<td></td>
<td>pumping systems</td>
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<td></td>
<td>- diluent storage and handling</td>
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<td></td>
<td>systems and diluent pipelines</td>
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<td></td>
<td>- froth treatment filters and</td>
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<td></td>
<td>centrifuges</td>
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<td></td>
<td>- diluted bitumen tanks (tank farm)</td>
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<td></td>
<td>and vapour recovery units</td>
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<td></td>
<td>- condenser and cooling water pumps</td>
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<td></td>
<td>- diluent recovery units, if</td>
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<td></td>
<td>specifically included in the description of a Prior Project</td>
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<td>- waste systems composed of waste</td>
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<td>headers, knock-out drums and</td>
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<td>waste stacks</td>
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<td>9 In relation to tailings management</td>
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<td>in oil sands mining Projects, the</td>
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<td></td>
<td>construction, acquisition and</td>
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<td></td>
<td>operation of the following equipment</td>
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<td></td>
<td>or facilities on Project lands:</td>
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<td></td>
<td>- consolidated tailings plant,</td>
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<td></td>
<td>tailings lines, final tailings pump</td>
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<td>house, all pump trains and support</td>
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<td></td>
<td>equipment, including hydro cyclones</td>
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<td>for minerals separation</td>
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<td></td>
<td>- tailings ponds (including</td>
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<td></td>
<td>extraction tailings, upgrading</td>
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<td>process waters and mine pit drainage</td>
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<td></td>
<td>waters)</td>
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<tr>
<td></td>
<td>- dikes</td>
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<td></td>
<td>- tailings pump house</td>
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<td></td>
<td>- piezometers</td>
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<td></td>
<td>- wildlife deterrent systems</td>
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<tr>
<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<td>10</td>
<td>In relation to transportation of oil sands products on Project lands, the construction, acquisition and operation of: - on-Project pipelines - intra-Project transport of oil sands and oil sands products - oil sands product pumping stations - trucking crude bitumen from Project wells to a central storage facility or to an on-Project pipeline terminal</td>
<td>Pipelines that do not begin and terminate on Project lands</td>
</tr>
<tr>
<td>11</td>
<td>Natural gas, diesel, gasoline or other fuels not produced from Project leases purchased for consumption in undertaking Project operations</td>
<td>Solution gas exempted from royalty under the <em>Natural Gas Royalty Regulation, 2009</em> (AR 221/2008). Any other fuels arising from Project substances consumed within the Project, prior to those fuels being processed in non-Project operations to produce other kinds of discrete oil sands product</td>
</tr>
<tr>
<td>11.1</td>
<td>The value of useful heat, as determined by the Minister, that is transferred from an integrated upgrader to a Project that forms part of an integrated project, for use in the Project’s operations</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Transporting Project operations personnel or materials to or from Project lands and on Project lands</td>
<td></td>
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<tr>
<td>13</td>
<td>In relation to storage of oil sands products on Project lands, the construction, acquisition and operation of: - tank farms In relation to storage facilities of oil sands products on Project lands, the labour and materials for the construction, acquisition and operation of the following: - pumping facilities - dikes - fire foam injection systems and inert gas blanket systems - dewatering facilities - vapour recovery units - slop oil tanks</td>
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<tr>
<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<tr>
<td>14</td>
<td>Processing of crude bitumen recovered from the Project leases in one or more non-Project processing plants to produce cleaned crude bitumen before the cleaned crude bitumen so produced is delivered to a royalty calculation point</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Transporting crude bitumen recovered from the development area of the Project from the Project to a non-Project processing plant where cleaned crude bitumen is obtained from the crude bitumen before the cleaned crude bitumen is delivered at a royalty calculation point for the cleaned crude bitumen</td>
<td></td>
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<tr>
<td>16</td>
<td>Purchasing, transporting and handling of non-Project oil sands products, for processing or reprocessing in one or more processing plants that are part of the Project</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Diluent used by a Project, provided the diluent does not form part of handling charges in determining unit price</td>
<td></td>
</tr>
</tbody>
</table>
| 18   | In relation to utilities required for Projects, the construction, acquisition and operation of the following equipment and facilities on Project lands:  
- boiler feed water system, including water clarifying, filtering and treatment facilities, softeners and demineralization units, boiler feed water pumps and distribution system, and de-aerators if not a dedicated part of a boiler  
- raw water system, including raw water pump houses and pumps, flow lines and valves, tanks and basins, raw water filtering and treatment facilities  
- cooling water system, including cooling water pump houses and pumps, flow lines, cooling water towers, cooling water filtering and chemical treatment facilities |                                      |
<table>
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<tr>
<th>Item</th>
<th>Column 1 Specifically Included Costs</th>
<th>Column 2 Specifically Excluded Costs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>- steam generation system, including main boilers, once through steam generators, back pressure steam turbine generators, gas turbine waste heat boilers, steam distribution systems and other heat recovery steam generator system cogeneration units</td>
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<td></td>
<td>- backup steam units used as standby steam production units</td>
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<td></td>
<td>- fuel gas system providing fuel and natural gas to fired heaters and steam methane reformers, composed of flowlines, valves, odoriser, knockout and mixing drums and pressure reducers</td>
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<td></td>
<td>- electricity transmission system, including transmission lines, insulating and support structures, substations, transformers and switchgear, operational, telecommunication and control devices</td>
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<td></td>
<td>- electrostatic precipitator units</td>
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<td></td>
<td>- utilities plant flue gas desulphurization units</td>
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<td></td>
<td>- hot water pipelines</td>
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<td></td>
<td>- natural gas pipelines</td>
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<td></td>
<td>- diesel pipelines</td>
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<tr>
<td></td>
<td>- (gypsum) tailings pipelines</td>
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<td></td>
<td>- recycled water pipelines</td>
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<td></td>
<td>- instrument air system, including instrument air compressors, air treatment facilities and air distribution system</td>
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<td></td>
<td>- other utility distribution systems including potable water lines, waste water lines, sewer lines, sour water lines and slop oil lines</td>
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<td></td>
<td>- fire water system, comprising fire water tank and basins, fire hydrants and monitors, fire water mains and distribution system, fire water pumps and fire water pump building</td>
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<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<td>- emergency power system, including backup and emergency generation equipment, dedicated transformers, cables, controls and switchgear</td>
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<tr>
<td>- control system, including control room equipment (panels, cabinets, operator interface), field instruments, junction boxes, multiplex, cables and cable trays, control room building and field auxiliary rooms</td>
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<tr>
<td>- flare systems composed of flare headers, knock-out drums and flare stacks</td>
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<tr>
<td>In relation to utilities required for mining Projects, the construction, acquisition and operation of the following equipment and facilities on Project lands:</td>
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<tr>
<td>- (gypsum) tailings pipelines</td>
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<tr>
<td>In relation to utilities required for in situ Projects, the construction, acquisition and operation of the following equipment and facilities on Project lands:</td>
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<tr>
<td>- water treatment plants, settling ponds, filters, softeners and de-aerators</td>
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<tr>
<td>- boiler water feed pumps</td>
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<td>- water storage and distribution systems, fire water systems and potable water systems</td>
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<td>- pumping stations and pump houses</td>
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<td>- gas fired package boiler facilities</td>
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<td>- compressor building</td>
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<td>- steam distribution systems</td>
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<td>- air systems</td>
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<td>- waste water systems</td>
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<td>- waste heat recovery systems, cooling towers and ponds</td>
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<td>- oil spill preparedness systems</td>
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<td>- natural gas import pipeline and distribution pipelines</td>
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<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<td>19</td>
<td>The construction, acquisition and operation of the following equipment and facilities used on Project lands:</td>
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<td></td>
<td>- ecology pits, land fill sites, waste management, wastewater treatment, sewage systems and hazardous waste storage buildings</td>
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<td></td>
<td>- closed sewer system, separators for oil-contaminated water, slop oil tanks, settling tanks, sewage treatment system and sour water treatment system to treat waste water</td>
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<td>- fire hall, fire prevention and suppression systems</td>
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<td>- emergency health and safety systems and buildings</td>
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<td>- maintenance shops and fuelling stations</td>
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<td>- truck loading and offloading facilities</td>
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<td>- air and heating utilities</td>
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<td></td>
<td>- cogeneration plants</td>
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<td>- non-cogeneration electricity generation equipment, including backup and emergency generation equipment</td>
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<td>- power transmission lines and substations</td>
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<td>- control rooms and buildings</td>
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<td>- instrumentation, monitoring and control systems</td>
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<td></td>
<td>- camps, including food services facilities</td>
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<td></td>
<td>- equipment trailer</td>
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<td></td>
<td>- road use charges paid to third parties to access Project lands</td>
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<td></td>
<td>- buildings, equipment and service complexes, used for maintaining heavy equipment</td>
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<td></td>
<td>- roads and bridges included in the description of the Project, connecting Project facilities</td>
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<td></td>
<td>- airstrips and associated facilities included in the Project description</td>
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<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
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<td>20</td>
<td>Except as set out in Column 2, complying with Board or Alberta Environment and Sustainable Resource Development requirements regarding Project air and water quality, soil and wildlife monitoring.</td>
<td>A contribution, whether monetary or otherwise, made in support of the activities set out in the approved annual monitoring plan developed in accordance with the Oil Sands Environmental Monitoring Program.</td>
</tr>
<tr>
<td>21</td>
<td>Acquiring, modifying or installing, operating and maintaining equipment on Project lands to reduce, or capture and dispose of, greenhouse gas emissions.</td>
<td>Cost of abandonment of non-Project wells (PNG, etc.), regardless of whether such activities promote bitumen recovery and regardless of whether required by the Regulator. The cost of orphan well levies imposed by the Regulator.</td>
</tr>
<tr>
<td>22</td>
<td>Abandonment, reclamation and decommissioning as a result of Project operations as follows: - deposits paid to the Crown to ensure the proper reclamation of Project lands - payments required by the Crown to secure reclamation of Project lands - performing reclamation work on the Project lands - abandoning and decommissioning surface and subsurface facilities.</td>
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<tr>
<td>23</td>
<td>Communications infrastructure located on Project lands. Equipment used for remote control of Project facilities.</td>
<td></td>
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<tr>
<td>24</td>
<td>Repair and maintenance of Project assets, including direct labour, benefits, materials and supplies, and work performed by other companies or individuals expended in performing such repair and maintenance.</td>
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<tr>
<td>25</td>
<td>Safety equipment and safety manuals, and costs of preparing and implementing emergency and disaster recovery procedures for the Project.</td>
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<tr>
<td>26</td>
<td>Insurance premiums under a contract of insurance, as defined in the Insurance Act, providing for property insurance in relation to profits, earnings, pecuniary interests and indirect losses of the lessees or operator of the Project.</td>
<td></td>
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<tr>
<td>27</td>
<td>Acquiring surface lands included in Project lands.</td>
<td>Purchasing oil sands agreements from prior lessees.</td>
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<td>Item</td>
<td>Column 1: Specifically Included Costs</td>
<td>Column 2: Specifically Excluded Costs</td>
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<td></td>
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<td>Bonus bids paid to the Crown for an oil sands agreement</td>
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<td>Escalating rental payments made under the <em>Oil Sands Tenure Regulation</em> (AR 50/2000) or the <em>Oil Sands Tenure Regulation, 2010</em> (AR 196/2010)</td>
</tr>
<tr>
<td>28</td>
<td>Municipal taxes and improvement fees of the type common to all individuals or industries</td>
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<tr>
<td>29</td>
<td>Compensation paid to registered individual trappers whose trap lines are impacted directly by Project operations</td>
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<tr>
<td>30</td>
<td>Purchasing a licence or the right to use intellectual property that is used directly for the recovery, production, or processing activities within Project operations</td>
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<tr>
<td>31</td>
<td>Any training facility or area exclusively dedicated toward providing training services to one or more approved Projects</td>
<td>Any training facility or area not exclusively dedicated toward providing training services to one or more approved Projects</td>
</tr>
<tr>
<td></td>
<td>Any warehouse exclusively dedicated toward providing inventory services to one or more approved Projects</td>
<td>Any warehouse not exclusively dedicated toward providing inventory services to one or more approved Projects</td>
</tr>
<tr>
<td>32</td>
<td>Exploration and delineation drilling, geophysical surveys on Project lands</td>
<td>Costs of exploration or delineation drilling, geophysical surveys outside Project lands or evaluating the data acquired</td>
</tr>
<tr>
<td>33</td>
<td>Planning, designing and engineering Project facilities</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Penalties or other compensation paid to an arm’s length party, not including any government, that are required to be paid under a written contractual obligation when the operator is unable to complete the terms of a contract</td>
<td>Penalties for late or deficient payment on any borrowing charge</td>
</tr>
<tr>
<td>35</td>
<td>Legal services in relation to a claimed breach of private law matters arising as a result of</td>
<td>Legal services required in relation to a claimed breach of applicable laws, rules or regulations of any</td>
</tr>
<tr>
<td>Item</td>
<td>Column 1: Specifically Included Costs</td>
<td>Column 2: Specifically Excluded Costs</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------</td>
<td>--------------------------------------</td>
</tr>
</tbody>
</table>
| 36   | Recruitment advertising solely to attract potential employees to undertake Project operations  
      Travel and accommodation costs of the potential candidate attending an interview for a position to perform Project operations  
      The travel and accommodation costs of non-Project staff that attend recruitment fairs or specific recruitment initiatives in search solely of employees to undertake Project operations | Gifts, rewards and similar products or promotional items for non-Project employees  
      Employee gifts, rewards and products arising from corporate initiatives or corporate recognition and reward programs  
      Promotional items not associated with a recognition and reward program |
| 37   | Employee gifts, rewards and similar products arising from Project specific recognition and awards programs | |
| 38   | Bonuses given to Project employees based on those employees or the Project achieving or exceeding specific, pre-defined performance criteria for the individual or the Project, as the case may be  
      Signing bonus or retention bonus payments | Bonuses given based on achieving or exceeding non-Project based performance criteria |
| 39   | Hosting and entertainment costs limited to employees conducting Project operations and their immediate family, to the extent allowed as a deduction in computing income under the *Income Tax Act* (Canada) | Any hosting and entertainment costs which are not exclusive to Project operations, Project employees and their immediate family |
| 40   | Information technology hardware on Project lands and dedicated to Project operations  
      Project specific software licenses for personnel conducting Project operations | |
<table>
<thead>
<tr>
<th>Item</th>
<th>Column 1: Specifically Included Costs</th>
<th>Column 2: Specifically Excluded Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>Supplies and labour for administration in field offices located on Project lands. Parking areas and security gates on Project lands. Administration buildings for general administration, office support and engineering on Project lands.</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Subscriptions to periodicals and journals where any individual subscription is $500.00 or less per year.</td>
<td>Sponsorship, donations or gifts to cultural, charitable, sporting or community initiatives. Matching employee contributions to any of the above. Purchase of naming rights for buildings or other facilities.</td>
</tr>
<tr>
<td>43</td>
<td></td>
<td>Funding provided for scholarships.</td>
</tr>
<tr>
<td>44</td>
<td>Funding provided for scholarships.</td>
<td>Any activity related to debt or equity financing. Foregone opportunity costs resulting from the non-arms length supply of goods and services to Project operations even though potentially more profitable third party transactions are available with respect to those goods and services. Any business or economic feasibility studies not included in Column 1.</td>
</tr>
<tr>
<td>45</td>
<td>Business and economic feasibility studies exclusively prepared to address problems of immediate applicability for the recovery, production or processing activities within Project operation. Contracts that hedge price risk specifically in relation to allowed costs of a Project or currency required to pay those costs.</td>
<td>Any activity related to debt or equity financing. Foregone opportunity costs resulting from the non-arms length supply of goods and services to Project operations even though potentially more profitable third party transactions are available with respect to those goods and services. Any business or economic feasibility studies not included in Column 1.</td>
</tr>
<tr>
<td>46</td>
<td>Production of promotional or informational material for investors or potential investors. Arranging and hosting tours of the Project.</td>
<td>Consultation initiatives or studies concerning regional matters. Any amount paid or the costs of items given to stakeholders not arising from: participation in regulatory proceedings or consultation in respect of the proposed or current Project operations as limited to Column 1.</td>
</tr>
<tr>
<td>47</td>
<td>Consultation in respect of the proposed or current Project operations, limited to: notifying stakeholders. meeting facilities. conducting meetings of stakeholders, including hosting.</td>
<td>Consultation initiatives or studies concerning regional matters. Any amount paid or the costs of items given to stakeholders not arising from: participation in regulatory proceedings or consultation in respect of the proposed or current Project operations as limited to Column 1.</td>
</tr>
<tr>
<td>Item</td>
<td>Column 1 Specifically Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td></td>
<td>- trapper compensation under Column 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The following costs of consultation or of membership or participation in associations, organizations or corporations:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- membership and participation in, or contributions to, business or industry associations or organizations, including but not limited to: Canadian Association Petroleum Producers (CAPP), Small Explorers and Producers Association of Canada (SEPAC), The Oil Sands Developers Group, Canadian Oil Sands Network for Research and Development (CONRAD), Petroleum Technology Alliance of Canada (PTAC), Alberta Chamber of Resources (ACR), the In-Situ Oil Sands Alliance or the Conference Board of Canada, Canada’s Oil Sands Innovation Alliance (COSIA), Solvent Heat Assisted Recovery Process Research Consortium (SHARP) or Canadian Crude Quality Technical Association (CCQTA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- membership and participation in, or contributions to, local or community organizations, regional organizations or interest groups, including but not limited to: the Cumulative Effects Management Association (CEMA), the Lakeland Industry and Community Association (LICA) and the Athabasca Tribal Council (ATC)</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Any loss arising as a result of a disposition of accounts receivable</td>
<td>Uncollected portions of any account receivable</td>
</tr>
<tr>
<td>49</td>
<td>Any amount deducted in the determination of unit price</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Interest or any other borrowing or financing charges, including the financing component of capital leases</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Column 1 Specific Inclusively Included Costs</td>
<td>Column 2 Specifically Excluded Costs</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Charges for late payment or payment shortfalls</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Any fines, penalties or payments made for non-compliance with any legally enforceable obligation imposed by any government</td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>External audits required for the purposes of reporting called for by the <em>Oil Sands Royalty Regulation, 2009</em> (AR 223/2008), in relation to the Project</td>
<td>Audits other than those required under the <em>Oil Sands Royalty Regulation, 2009</em> (AR 223/2008)</td>
</tr>
<tr>
<td>52</td>
<td>Amounts assessed by the Regulator as part of industry’s share of the Regulator’s funding (Regulator levies)</td>
<td>Depreciation, except as specifically permitted in this Regulation</td>
</tr>
<tr>
<td>53</td>
<td>Dispute resolution processes, including a referral under section 35 of the Prior Regulation or under section 48 of the <em>Oil Sands Royalty Regulation, 2009</em> (AR 223/2008) of arbitration or of litigation, of any dispute with the Crown in connection with any matter relating to royalty, royalty compensation, interest or any penalty payable or paid to the Crown in relation to the Project</td>
<td>Research personnel and their consumed supplies toward the development of technology to solve a problem of immediate applicability for the recovery, production or processing activities within Project operations</td>
</tr>
<tr>
<td>55</td>
<td>Amounts paid as Overriding Royalty as specified in Schedule 3, section 101(n) of the <em>Metis Settlements Act</em></td>
<td>Overriding royalty interests, carried interests, net profit interests or any similar interest</td>
</tr>
<tr>
<td>56</td>
<td>Research personnel and their consumed supplies toward the development of technology to solve a problem of immediate applicability for the recovery, production or processing activities within Project operations</td>
<td>Research that provides the foundation for further research, or research conducted without any defined practical end pointing to practical applications</td>
</tr>
<tr>
<td></td>
<td>Any research facility, laboratory or area exclusively dedicated toward the development of technology to solve problems of immediate applicability for the recovery, production or processing activities within Project operations</td>
<td>Any research facility, laboratory or area not exclusively dedicated toward the development of technology to solve problems of immediate applicability for the recovery, production, or processing activities within Project operations</td>
</tr>
<tr>
<td></td>
<td>Management fees or membership fees in research organizations</td>
<td>Management fees or membership fees in research organizations</td>
</tr>
<tr>
<td></td>
<td>Research grants, research chairs and research fellowships to educational and research institutions</td>
<td>Research grants, research chairs and research fellowships to educational and research institutions</td>
</tr>
<tr>
<td>Item</td>
<td>Column 1</td>
<td>Column 2</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>57</td>
<td>Salaries, wages, benefits, training, travel and accommodations for employees solely dedicated to carrying out Project operations. Salaries, wages, benefits, training, travel and accommodations for employees or personnel performing information technology, administration, accounts payable or office support work and solely dedicated to Project operations. Salaries, wages, benefits, training, travel and accommodations for employees to the extent those employees carry out Project operations in the following circumstances: - legal counsel for matters integral to furthering Project operations - providing production accounting and royalty accounting for oil sands products - purchasing assets, materials or supplies delivered for use in, or disposing from, Project operations - conducting recruitment, classification, employee relations activities for employees carrying out Project operations - carrying out engineering activities for Project operations - carrying out marketing activities for oil sands products Relocation and severance (including associated relocation and training expenses in respect of that severance) for employees solely dedicated to Project operations.</td>
<td>Salaries, wages, benefits, bonuses, stock options, training, travel and accommodations, relocation and severance (including associated relocation and training expenses in respect of that severance) for executive or management employees not solely dedicated to Project operations. Salaries, wages, benefits, training, travel and accommodations for employees or personnel performing information technology, administration, accounts payable or office support work and not solely dedicated to Project operations. Relocation and severance (including associated relocation and training expenses in respect of that severance) for employees not solely dedicated to Project operations.</td>
</tr>
<tr>
<td>58</td>
<td>Office assets and equipment (and their maintenance) exclusively used for the Project regardless of location.</td>
<td>The following items not exclusively used for the Project, regardless of whether a portion of the labour cost of the user may be an allowed cost: - office assets and equipment (and their maintenance) not located on Project lands - telecommunications and</td>
</tr>
</tbody>
</table>
## Schedule 2

### OIL SANDS ALLOWED COSTS (MINISTERIAL) REGULATION  AR 231/2008

<table>
<thead>
<tr>
<th>Item</th>
<th>Column 1 Specifically Included Costs</th>
<th>Column 2 Specifically Excluded Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>information technology support, where the items supported are not located on Project lands</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- all line charges associated with telephones or other telecommunications equipment, not used for remote control of facilities or operations, where those telephones or other telecommunications equipment are not located on Project lands</td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Third party office space leases, including operating costs associated therewith, for office space located off Project lands, exclusively accommodating Project personnel carrying out Project operations</td>
<td>Office space leases, including operating costs associated therewith, for office space located off Project lands which accommodates Project and non-Project personnel</td>
</tr>
<tr>
<td>60</td>
<td>Repealed AR 340/2009 s3</td>
<td></td>
</tr>
</tbody>
</table>


---

### Schedule 2

#### A Direct Measurement of Use

The costs of each of the following engineering systems for a Period must be allocated based on the actual measured use of engineering system output by each of:

(a) the Project,

(b) the integrated shared operations, if any, and

(c) operations that are neither part of the Project nor of the integrated shared operations,

as a percentage of the total of the engineering system output during the Period.

<table>
<thead>
<tr>
<th>Engineering System</th>
<th>Engineering System Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boiler feed water (BFW)</td>
<td>Actual BFW use in m³</td>
</tr>
<tr>
<td>treatment system</td>
<td></td>
</tr>
<tr>
<td>Raw water system</td>
<td>Actual raw water use in m³</td>
</tr>
<tr>
<td>Fuel gas system</td>
<td>Actual fuel gas use in gigajoules</td>
</tr>
<tr>
<td>Steam generation system</td>
<td>Actual net steam energy use in gigajoules</td>
</tr>
<tr>
<td>Electricity transmission system</td>
<td>Actual net power use in megawatt hours</td>
</tr>
</tbody>
</table>

In accordance with this Regulation,
(a) a cost allocated to the Project is an allowed cost of the Project,
(b) a cost allocated to the integrated shared operations, if any, is subject to further allocation under Schedule 3, and
(c) a cost allocated to the operations that are neither part of the Project nor of the integrated shared operations is not an allowed cost of the Project.

B Design Intent
The costs of each of the following engineering systems must be allocated based on the designed use of engineering system output by

(a) the Project,
(b) the integrated shared operations, if any, and
(c) operations that are neither part of the Project nor of the integrated shared operations,

as a percentage of the total of designed use of the engineering system output.

<table>
<thead>
<tr>
<th>System Type</th>
<th>Engineering System Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control system</td>
<td>Designed input/output (I/O) channel count</td>
</tr>
<tr>
<td>Cooling water system</td>
<td>Designed cooling water demand in m$^3$/hour</td>
</tr>
<tr>
<td>Instrument air system</td>
<td>Designed instrument air demand in m$^3$/hour</td>
</tr>
<tr>
<td>Fire water system</td>
<td>Designed fire hydrants/monitors flow capacity in m$^3$/hour</td>
</tr>
<tr>
<td>Emergency power</td>
<td>Designed emergency power demand in megawatts</td>
</tr>
<tr>
<td>system</td>
<td></td>
</tr>
</tbody>
</table>

In accordance with this Regulation,

(a) a cost allocated to the Project is an allowed cost of the Project,
(b) a cost allocated to the integrated shared operations, if any, is subject to further allocation under Schedule 3, and
(c) a cost allocated to the operations that are neither part of the Project nor of the integrated shared operations is not an allowed cost of the Project.

C Ratio of Length
The costs of each of the following engineering systems must be allocated to the Project, the integrated shared operations, if any, and the operations that are not part of the Project or integrated
shared operations, based on the length of the engineering system located within

(a) the Project,
(b) the integrated shared operations, if any, and
(c) operations that are neither part of the Project nor of the integrated shared operations,

as a percentage of the total length of the engineering system.

Potable water lines
Waste water lines
Sewer lines
Sour water lines
Slop oil lines
Pipe racks

In accordance with this Regulation,

(a) a cost allocated to the Project is an allowed cost of the Project,
(b) a cost allocated to the integrated shared operations, if any, is subject to further allocation under Schedule 3, and
(c) a cost allocated to the operations that are neither part of the Project nor of the integrated shared operations is not an allowed cost of the Project.

D Miscellaneous
The costs of each of the following items must be allocated to each of

(a) the Project,
(b) the integrated shared operations, if any, and
(c) operations that are neither part of the Project nor of the integrated shared operations,

based on the methodologies described in the following table.

<table>
<thead>
<tr>
<th>Cost</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camps</td>
<td>Costs must be allocated in the following proportions:</td>
</tr>
<tr>
<td></td>
<td>The number of person days of accommodation provided during the Period to employees, excluding contractors, working on each of</td>
</tr>
<tr>
<td></td>
<td>(i) the Project,</td>
</tr>
</tbody>
</table>
(ii) the integrated shared operations, if any, and
(iii) the operations that are neither part of the Project nor of the
integrated shared operations,
as a percentage of the total person days of accommodation
provided during the Period to employees, excluding contractors,
working on the Project, the integrated shared operations, if any,
and the operations that are neither part of the Project nor of the
integrated shared operations.

Airstrips and
associated
facilities

Costs must be allocated in the following proportions:
The number of person flights during the Period by persons
working on each of
(i) the Project,
(ii) the integrated shared operations, if any, and
(iii) the operations that are neither part of the Project nor of the
integrated shared operations,
as a percentage of the total person flights utilizing the airstrips and
associated facilities during the Period.

In accordance with this Regulation,

(a) a cost allocated to the Project is an allowed cost of the
Project,

(b) a cost allocated to the integrated shared operations, if any,
is subject to further allocation under Schedule 3, and

(c) a cost allocated to the operations that are neither part of
the Project nor of the integrated shared operations is not
an allowed cost of the Project.

AR 19/2012 s13

Schedule 3

Allocation of Costs in Respect of
Integrated Shared Operations

Costs that have been attributed to integrated shared operations
pursuant to Schedule 2 or section 8.1(10) of the Regulation must be
allocated to the Project that forms part of an integrated project as
an allowed cost of that Project, unless the Minister determines
otherwise, based on the proportion of the value of energy used by
that Project as a percentage of the total value of energy used by the
integrated project.

AR 19/2012 s13