TIP

Gas Cost Allowance Business Rules and Submission Process

Jurisdiction	Release/Revision Date	Location of Change in this Document	Comment
AB	June 21, 2023	Updates throughout document	There are no changes to the intent of this tip, just updated to reflect current state and the timing of submission responses. .
AB	March 27, 2023		Update of the entire document
AB	March 30, 2010	Section Entitled "Questions & Answers related to process. Removed Appendices.	
AB	January 13, 2010		Initial Release

Audience: Alberta Stakeholders who file Allowable Costs

Purpose: This tip reminds users of the Gas Cost Allowance Business Rules and the timing of Petrinex and DOE responses regarding Allowable Cost submissions.

Key Principles:

The Department of Energy and Minerals implemented changes to the monthly and annual allowable cost processes effective the production year January 2009.

- Actual operating costs are reported by all Facility Cost Centre (FCC) operators replacing the Unit Operating Cost Rate (UOCR).
- A Facility Effective Royalty Rate (FERR) replaced the Corporate Effective Royalty Rate (CERR).
- The AC2 and AC4 were merged into one submission – "AC2 (V4) Capital and Operating Costs", with the AC4 being discontinued for 2009 onward.

Facility Effective Royalty Rate (FERR)

- The FERR is used to determine the monthly and annual Crown share of allowable costs, including capital, operating and custom processing cost allowances for each royalty client at each AER facility.
- The Crown share of the facility costs are summed up and shown on the invoice as one deduction for each charge type.
- The FERR is calculated for each royalty client at each AER facility based on the following formula, for a given year:

$$\text{FERR} = \frac{\textbf{Crown royalty value for the client at the AER facility (\$)}}{\textbf{Total value for the client at the AER facility (\$)}}$$

The Department of Energy and Minerals has two different maximum turnaround time targets for approval of Allowable Cost submissions.

FCC Set-up turnaround timing

The AC1 (V2) is used when setting up a new Facility Cost Centre (FCC), certain initial edits are completed in Petrinex, and other processes are completed in DOE systems. The initial Petrinex edits are completed in near real time. The DOE maximum response time is four hours.

For example: If the AC1 (V2) – setup request is submitted (to Petrinex) in the morning, a response will be received (in Petrinex) from the DOE in the afternoon. If an AC1 (V2) setup request is submitted in the afternoon, a response will be received the following morning of the next DOE business day.

Editing AC1 (V2), AC2 (V4), AC3 (V3) and AC5 (V4) turnaround timing

When editing an AC1 (V2), AC2 (V4), AC3 (V3) or AC5 (V4), certain initial edits are completed in the Petrinex, and other processes are completed in DOE systems. The initial Petrinex edits are completed in near real time. The DOE response will be received by the next DOE business day.

EXCEPT during the DOE Gas Royalty Invoice Cycle. Please refer to the Petrinex reporting calendar(s) item G1 “DOE Gas Royalty Invoice cycle”. The cycle generally occurs from the 11th to 21st of each month (including non-business days). However, it can vary by 1-2 days, depending on the month. Any FCC changes submitted during this time will be processed by Petrinex but will be held by the DOE until the cycle is complete, at which time they will be processed in the order the changes were initially submitted.

Allowable Cost Submissions

AC1 (V2) – Facility Cost Centre (FCC)

Industry requests an FCC to file annual allowable claims which informs the DOE which types of capital assets are included in an FCC and who owns and operates it.

- Application for a new FCC setup is due on or before March 1st of the year following the production year in which the new FCC commences operations.
- Changes to the AC1 FCC data i.e., ownership can be made at anytime.
- There is no penalty for late submission of AC1 data.

AC2 (V4) – Capital and Operating Costs

The AC2 – Capital and Operating Costs submissions are used to report allowable capital and operating costs for an FCC, calculation of the capital cost allowance and operating cost allowance for an FCC for a production year, allocation of the capital and operating cost allowances to the royalty clients at the FCC, calculation of the custom processing adjustment factor (CPAF) for capital and operating costs, and allocation of capital and operating allowances to multiple delivery facilities for owners of the FCC.

- The due date for submission of AC2 Capital and Operating Cost data is May 31st of the year following the production year.
- The penalty for late submission of the AC2 Capital and Operating Cost data is $100.00 per month, or part of a month to a maximum of 6 months.

AC3 (V3) – Capital and Operating Cost Allowances Reallocation

The AC3 allows reallocation of capital and operating costs to multiple clients and AER facilities and aids royalty clients to eliminate cost restrictions due to misaligned costs with royalty trigger volumes.

Note: If a royalty client reallocates costs from a source facility to a destination facility that is not within the same royalty network, then the DOE will disallow this reallocation.

- The due date for submission of this data is June 10th of the year following the production year.
- There is no penalty for late submission of AC3 data.

AC4 - Operating Costs

The AC4 Operating Costs submissions have been discontinued for Production Years 2009 Onward and has been blended into the AC2 (V4) – Capital and Operating Costs.

AC5 (V4) – Custom Processing Fees Paid

The AC5 Custom Processing Fees Paid is used to report custom processing fees pad for compressing, gathering or processing gas and gas products.

- The due date for submission of this data is June 10th of the year after the production year.
- The penalty for late submission of the AC5 data will be $100.00 per month, or part of a month to a maximum of 6 months.

Crown Share of Costs

- The Crown share of the actual capital costs, operating costs, and custom processing fees is calculated using the actual FERR for each client/facility.
- The concept of updating the actual capital costs and custom processing fees and implementing the monthly go-forward estimates at Initial Annual Billing Period (IABP) is applied at a client/facility level.
- The concept of updating the actual operating costs (currently adjusted once a year in the February billing period invoice) and implementing the monthly go-forward estimates is similar to the custom processing fee and capital cost calculated at IABP.
- Further adjustments resulting from amendments filed in any month after IABP are subject to prior period interest charges for capital, custom processing, and operating costs.
- Since only owners will receive monthly estimated operating cost deductions, the process to recapture operating costs from non-owners is eliminated.

Annual Allowable Cost Restrictions (AACR)

The annual Crown share of actual allowable costs is determined for each client/facility. If the annual Crown share of actual costs (capital + operating + custom fees) exceeds the annual royalties payable at the AER client/facility level, there will be restriction resulting in an AACR adjustment shown on the invoice.

More information: Please contact the Petrinex Business Desk.

#	403-297-6111
#	1-800-992-1144 (Toll Free)
E-mail	petrinexsupport@petrinex.ca