

Alberta Oil Sands Royalty Guidelines

Correction Notice

Appendix J

Business Rule Papers and Examples

This Appendix includes 5 papers, which set out a number of business rules respecting cost allocation and cost of service calculations.

The fifth paper "Cost of Service" Figure 3 on page 84 is to be corrected with the following table:

Year	Cumulative Capital Cost	Initial Capital	Straight Line Dep'n	End Capital	Return on Capital (4%)	Annual Capital Charge	Annual Capital Charge per unit	Annual Operating Charge	Annual Operating Charge per Unit	Annual COS per unit	Capital Addition
1	\$ 100,000,000	\$100,000,000	\$ 4,000,000	\$ 96,000,000	3,920,000	7,920,000	9,900	1,000,000.00	1,250	11,150	
2	\$ 100,000,000	\$ 96,000,000	\$ 4,000,000	\$ 92,000,000	3,760,000	7,760,000	9,700	1,000,000.00	1,250	10,950	
3	\$ 100,000,000	\$ 92,000,000	\$ 4,000,000	\$ 88,000,000	3,600,000	7,600,000	9,500	1,000,000.00	1,250	10,750	
4	\$ 100,000,000	\$ 88,000,000	\$ 4,000,000	\$ 84,000,000	3,440,000	7,440,000	9,300	1,000,000.00	1,250	10,550	
5	\$ 100,000,000	\$ 84,000,000	\$ 4,000,000	\$ 80,000,000	3,280,000	7,280,000	9,100	1,000,000.00	1,250	10,350	
6	\$ 100,000,000	\$ 80,000,000	\$ 4,000,000	\$ 76,000,000	3,120,000	7,120,000	8,900	1,000,000.00	1,250	10,150	
7	\$ 100,000,000	\$ 76,000,000	\$ 4,000,000	\$ 72,000,000	2,960,000	6,960,000	8,700	1,000,000.00	1,250	9,950	\$ 25,000,000
8	\$ 125,000,000	\$ 97,000,000	\$ 5,000,000	\$ 92,000,000	3,780,000	8,780,000	10,975	1,000,000.00	1,250	12,225	
9	\$ 125,000,000	\$ 92,000,000	\$ 5,000,000	\$ 87,000,000	3,580,000	8,580,000	10,725	1,000,000.00	1,250	11,975	
10	\$ 125,000,000	\$ 87,000,000	\$ 5,000,000	\$ 82,000,000	3,380,000	8,380,000	10,475	1,000,000.00	1,250	11,725	
11	\$ 125,000,000	\$ 82,000,000	\$ 5,000,000	\$ 77,000,000	3,180,000	8,180,000	10,225	1,000,000.00	1,250	11,475	
12	\$ 125,000,000	\$ 77,000,000	\$ 5,000,000	\$ 72,000,000	2,980,000	7,980,000	9,975	1,000,000.00	1,250	11,225	
13	\$ 125,000,000	\$ 72,000,000	\$ 5,000,000	\$ 67,000,000	2,780,000	7,780,000	9,725	1,000,000.00	1,250	10,975	
14	\$ 125,000,000	\$ 67,000,000	\$ 5,000,000	\$ 62,000,000	2,580,000	7,580,000	9,475	1,000,000.00	1,250	10,725	
15	\$ 125,000,000	\$ 62,000,000	\$ 5,000,000	\$ 57,000,000	2,380,000	7,380,000	9,225	1,000,000.00	1,250	10,475	\$ 15,000,000
16	\$ 110,000,000	\$ 51,000,000	\$ 4,400,000	\$ 46,600,000	1,952,000	6,352,000	7,940	1,000,000.00	1,250	9,190	
17	\$ 110,000,000	\$ 46,600,000	\$ 4,400,000	\$ 42,200,000	1,776,000	6,176,000	7,720	1,000,000.00	1,250	8,970	\$ 6,000,000
18	\$ 110,000,000	\$ 42,200,000	\$ 4,400,000	\$ 37,800,000	1,600,000	6,000,000	7,500	1,000,000.00	1,250	8,750	
19	\$ 110,000,000	\$ 37,800,000	\$ 4,400,000	\$ 33,400,000	1,424,000	5,824,000	7,280	1,000,000.00	1,250	8,530	
20	\$ 110,000,000	\$ 33,400,000	\$ 4,400,000	\$ 29,000,000	1,248,000	5,648,000	7,060	1,000,000.00	1,250	8,310	
21	\$ 110,000,000	\$ 29,000,000	\$ 4,400,000	\$ 24,600,000	1,072,000	5,472,000	6,840	1,000,000.00	1,250	8,090	
22	\$ 110,000,000	\$ 24,600,000	\$ 4,400,000	\$ 20,200,000	896,000	5,296,000	6,620	1,000,000.00	1,250	7,870	
23	\$ 110,000,000	\$ 20,200,000	\$ 4,400,000	\$ 15,800,000	720,000	5,120,000	6,400	1,000,000.00	1,250	7,650	

A capital addition is added in the year 7 and deemed to occur at the beginning of the next year
 Initial value of the addition is added to IC
 Initial value of the addition is added to CCC
 A capital retirement is made in the year 15 and deemed to occur at the beginning of the next year
 Net book value of the retirement - (\$15000000 - \$9000000) = \$6000000
 ==>15000000 x 15 yrs x 4% = \$9000000
 Net book value of the retirement is subtracted from IC
 Initial value of the retirement is subtracted from CCC