

Assumptions used in the development of potential revenue

Income	Volume	Price	Amount (\$ millions)	Assumption
LNG Revenue	600	\$ 12.50	\$ 7,500	Based on Japanese/Korean Marker (JKM) as reported in LNG Platt's Daily. Price is adjusted to estimate value of LNG at the LNG Facility outlet.

Expenses

Natural Gas Cost	625	\$ 4.00	\$ 2,500	Based on spot natural gas prices as reported in the Canadian Gas Price Reporter
Natural Gas Transportation	625	\$ 0.83	\$ 515	Based on estimated cost of pipelines delivering gas to the LNG facilities
LNG Plant Operating Cost	625	\$ 0.60	\$ 375	Based on estimated operating cost rate of approximately \$0.60/mmbtu
Carbon Tax	25	\$ 1.49	\$ 40	Based on shrinkage rate of 4% and carbon tax rate of \$1.4898/gj
Other Taxes (PST, Motor Fuel, Property Tax)			\$ 185	High level assumption to reflect estimated cost of these taxes (PST, Motor Fuel, Property Tax)
Carbon Offset Costs			\$ 25	Estimated cost of carbon offsets
<b>Total Operating Cost</b>			<b>\$ 3,640</b>	<b>Total Operating Costs</b>
<b>Net Operating Income before Investment Allowance</b>			<b>\$ 3,860</b>	<b>Revenue less operating costs</b>

Investment Allowance			\$ 281	Estimated investment allowance
<b>Net Operating Income</b>			<b>\$ 3,579</b>	<b>Revenue less operating costs and investment allowance</b>

Income for BC Corporate Income Tax Purposes	Amount	Assumption
Net Operating Income	\$ 3,860	From Net Operating Income before Investment Allowance
Less: Depreciation	\$ 417	Straight line - 30 years
Interest	\$ 360	Estimated annual eligible interest cost
<b>Net Taxable income</b>	<b>\$ 3,083</b>	

BC Corporate Income Tax Rate			10%	Estimated tax rate in effect in 2018
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BC Corporate Income Tax			\$ 308	BC Corporate Income Tax before credit
Natural Gas Tax Credit			\$ 15	0.5% of delivered cost of natural gas (cost plus transportation)
<b>Net BC Corporate Income Tax</b>			<b>\$ 293</b>	<b>Net Corporate Income Tax after credit</b>

Other Assumptions

Capital Cost of LNG Facility	\$ 12,500	Estimated construction cost of LNG Facility
LNG Facility Outlet Volume	12 million tonnes per annum	
LNG Facility Outlet Volume	600 million mmbtu	
LNG Facility Inlet Volume	625 million mmbtu	
LNG Facility Shrinkage	4%	Estimated shrinkage at LNG Plant
Natural Gas Royalty Rate	10%	Estimated effective Royalty Rate
Natural Gas Royalty Revenue	\$ 250	Natural Gas Cost times effective royalty rate above

Assumptions held constant over the period.

October 2014 Results

\$Millions

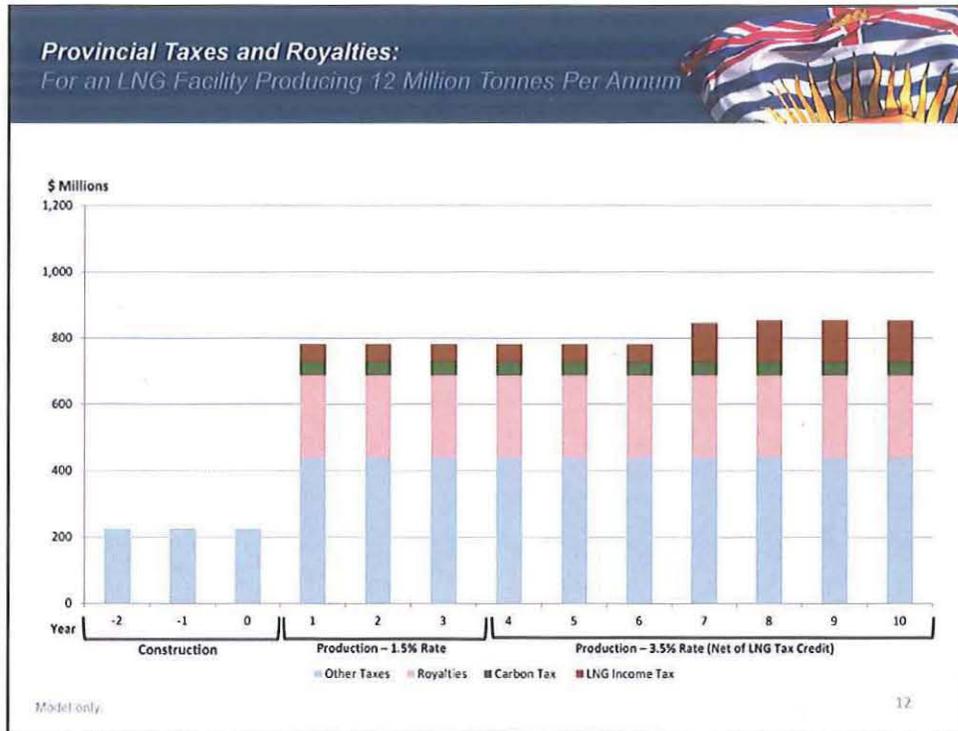
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500
Interest Expenses	0	0	0	0	0	0	0	0	0	0
Other Expenses	3640	3640	3640	3640	3640	3640	3640	3640	3640	3640
Total Expenses	3640	3640	3640	3640	3640	3640	3640	3640	3640	3640
Investment Allowance	281	281	281	281	281	281	281	281	281	281
Net current proceeds	3579	3579	3579	3579	3579	3579	3579	3579	3579	3579
LNG Tax Paid Eligible for Credit	54	54	54	0	0	0	0	0	0	0
Capital pool deduction	3579	3579	3579	1764	0	0	0	0	0	0
Net income	0	0	0	1815	3579	3579	3579	3579	3579	3579
Tier 2 Tax Revenue	0	0	0	64	125	125	125	125	125	125
Capital cost pool	2500	8921	5343	1764	0	0	0	0	0	0
tier 1 tax pool	54	107	161	161	151	80	8	0	0	0
Credit for Prior LNG Tax Paid	0	0	0	10	72	72	8	0	0	0
tier 2 minus credit	0	0	0	54	54	54	117	125	125	125
Total tax	54	54	54	54	54	54	117	125	125	125
LNG Tax After Credit Applied	0	0	0	54	54	54	117	125	125	125
Royalties	250	250	250	250	250	250	250	250	250	250
B.C. Corporate Income Tax	308	308	308	308	308	308	308	308	308	308
CIT Natural Gas Credit	15	15	15	15	15	15	15	15	15	15
B.C. Corporate Income Tax	293	293	293	293	293	293	293	293	293	293
LNG Tax After Credit Applied	0	0	0	54	54	54	117	125	125	125
Other Taxes	225	225	225	225	225	225	225	225	225	225

Assumptions

Natural Gas Cost	\$4.00 per MMBtu of Natural Gas
Pipeline Cost	\$0.83 per mmbtu of LNG
Operating Expenses	\$0.60 per mmbtu of LNG
Plant Inlet Volume	625 Million MMBtu
Plant Outlet Volume	600 Million MMBtu
LNG Price	\$12.50 per mmbtu of LNG
Capital Cost	2500 \$ million
Royalty Rate	10%

New for October 2014

Tangible Capital cost	7500	
CIT Credit	cost of natural gas	\$3,019
	0.5 percent	15.09375
	CIT at 8%	224
	savings	84



**Comprehensive revenue profile** shows a 10 year estimate of what provincial taxes and royalties might look like for a typical LNG facility. In the first 3 years the facility is under construction and revenue is from provincial sales tax, motor fuel tax and property tax. In year 4 the facility comes on stream and royalties, corporate income tax, carbon tax and LNG Income Tax are payable. Once investment costs are recovered the LNG tax rate increases to 3.5% further increasing total taxes.

- Total Other Tax includes: property taxes, Provincial Sales Tax, and Motor Fuel Tax, and corporate income taxes
- Does not include any amounts for BC or Federal personal income tax, Federal corporate income taxes or municipal/local taxes.
- Assumes a Corporate Income Tax Credit of \$15 million per year based the estimated cost of gas delivered to the LNG facility.

Not Responsive