

Eligible Expenses and Cost Instructions for Round 5 – Cleantech Competition for Natural Gas Production

Natural Gas Innovation Fund
Investment Intake, Evaluation, and Management Stage

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BIRCHCLIFF
ENERGY



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1 INTRODUCTION

1.1. DOCUMENT SCOPE

The purpose of this document is to provide guidance and instruction on expenses eligible for the project with funding from the Natural Gas Innovation Fund (NGIF). Stipulations apply to anticipated expenses for inclusion in Project budgets at the NGIF Expression of Interest stage (NGIF Investment Intake Stage) and NGIF Investment Proposal stage (NGIF Evaluation Stage), as well as to expenses incurred during the lifetime of funded project (NGIF Management Stage).

The quality of your submission is in part determined by the transparency of anticipated expenses associated with your project. Incomplete or incorrect information will negatively impact the project proposal.

Note: Questions for NGIF about expense eligibility that are not fully addressed in this document can be sent to mbretzlaff@cga.ca. Through this contact address, Applicants will be directed to appropriate personnel within NGIF to address their questions.

1.2. BACKGROUND

The **Natural Gas Innovation Fund** (NGIF) will advance the natural gas industry through funding transformative innovation that helps to ensure competitiveness of our product and service, while continuously improving environmental performance and maintaining the safety and resiliency of the energy system. For information about NGIF and the funding process, please refer to the NGIF website www.ngif.ca.

2 ELIGIBLE EXPENSES

Eligible expenses include costs for activities that are directly related to achieving the objectives of the project for which NGIF funding is sought. These are costs directly attributable to and necessary for the completion of the project and are not wholly or partially for another purpose. All project related payments must be documented through invoices, receipts, or records and are subject to verification through auditing. Evidence of payment must be maintained for audit purposes. NGIF reserves the right to query any expense, at any time. Costs incurred for elements not covered in this document are ineligible unless otherwise approved by NGIF. The final determination of eligibility of expenditures rests with NGIF.

The recipient shall use the funds solely towards the following categories of eligible expenses, provided they achieve its milestones and deliverables, subject to the limits and conditions set out below:

2.1. DIRECT EXPENSES

A. SALARIES & BENEFITS

Eligible Expenses	Ineligible Expenses
<ul style="list-style-type: none"> ✓ Only actual, direct salaries of personnel, permanent or temporary hired to carry out the Project, including fees paid to individuals engaged on employment contracts. Salary rates must correspond to base salary rate only. ✓ Actual benefit expenses of permanent full-time employees including Employment Insurance, Canada Pension Plan, medical and vacation pay to a limit of 20% of the base salary. ✓ Hiring of Contractor for the Project (“Contractor”) – rates charged by Contractor to the project. The Contractor must document the hourly or daily rate charged and number of hours or days worked on their invoice submitted to the Project. ✓ All labour costs (whether salaried or contracted) for carrying out project activities. This must be supported by activity-based time sheets enabling verification of the activities conducted by the resource’s time charged to the Project. <p>Additional Limits & Conditions:</p> <ul style="list-style-type: none"> ✓ Salaries and wages expenditures may only be claimed in proportion to the amount of time spent working directly on the Project and that the recipient is required to maintain timesheets or appropriate 	<ul style="list-style-type: none"> ⊗ Salaries cannot include any commission, bonus or pay-for-performance component. ⊗ Costs related to development of Expression of Interest and Investment Proposal (including staff).

<p>records for all employees working directly on the Project.</p> <ul style="list-style-type: none"> ✓ NGIF reserves the right to limit any Contractor payments should they appear to be excessive or lack sufficient supporting documentation, including the overhead or fringe rates charged by the Contractor. ✓ Expenditures that are not included in the NGIF Investment Proposal will not be considered eligible expense unless approved by NGIF. 	
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B. FIXED ASSETS AND CONSUMABLES

Eligible Expenses	Ineligible Expenses
<ul style="list-style-type: none"> ✓ Depreciation only on fixed assets for the period of the project, as per generally accepted accounting principles (GAAP), is an eligible expense. All assets to be purchased must be itemized at the time of submission of the NGIF Investment Proposal. Any unidentified capital asset to be purchased during the project must be approved by the NGIF. The useful life of the asset and method of depreciation must be specified. ✓ Land Costs associated with leasing of land may be eligible, however, all leasing costs must be directly associated with the project, must be justified, and will be reviewed by NGIF. ✓ Consumables Consumables (e.g., industrial gases, construction or laboratory supplies) used during the course of the Project. These must be documented. <p>Additional Limits & Conditions:</p> <ul style="list-style-type: none"> ✓ Invoices, receipts, records shall be maintained. 	<ul style="list-style-type: none"> ⊗ Unidentified capital assets at the Investment Proposal stage and also not approved by NGIF during project execution. ⊗ Land - costs associated with purchase of land. ⊗ Unidentified material and supplies, consumables at the Investment Proposal stage and also not approved by NGIF during project execution.

<ul style="list-style-type: none"> ✓ Expenditures that are not included in the NGIF Investment Proposal will not be considered eligible expense unless approved by NGIF. 	
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C. MATERIAL AND SUPPLIES

Eligible Expenses	Ineligible Expenses
<ul style="list-style-type: none"> ✓ Materials and Supplies Materials and supplies used to carry out the proposed Project work may include raw materials, tools, and software; they should be indicated in the budget at the time of application. Expenditures in this category that are not included in the NGIF Investment Proposal must be approved by NGIF for their designated representative. <p>Additional Limits & Conditions:</p> <ul style="list-style-type: none"> ✓ Invoices, receipts, records shall be maintained. ✓ Expenditures that are not included in the NGIF Investment Proposal will not be considered eligible expense unless approved by NGIF. 	<ul style="list-style-type: none"> ⊗ Unidentified material and supplies at the Investment Proposal stage and also not approved by NGIF during project execution.

D. COSTS OF VERIFICATION

The cost for third party verification of the environmental benefits associated with the Project (primarily water benefits) as required by NGIF is eligible. All verification costs are to be borne by the project recipient. A placeholder of \$10,000 should be included in the budget for this purpose.

E. REGULATORY APPROVAL

Any costs incurred to obtain approval from any regulatory body in order to commence, execute or complete a project are not eligible.

F. TRAVEL & ACCOMMODATIONS

Eligible Expenses	Ineligible Expenses
<ul style="list-style-type: none"> ✓ Air Travel: Only economy airfares. ✓ Vehicle Travel: <ul style="list-style-type: none"> ○ Private and Company owned vehicles <ul style="list-style-type: none"> - “Vehicle allowance” is applicable for private and company owned vehicles used for travelling on project business. It covers associated gas and maintenance expenses for vehicle. Allowances can be claimed to the Project – refer www.canada.ca for automobile allowance rate. - The vehicle allowance for private and company-owned vehicles driven to a departure location (i.e., airport or train terminal) and picked up upon return. When travel mileage would exceed the cost of a vehicle rental, the person travelling should travel by rental vehicle. - Parking - Only receipted parking charges for privately owned vehicles used for approved Project business. - Insurance - Project recipients are responsible for obtaining adequate insurance coverage for using their private vehicle for business purposes. Adequate coverage shall be determined before a privately-owned vehicle is used for funded project business. ○ Vehicle Rentals <ul style="list-style-type: none"> - Recipients are required to use rental vehicles where they represent a lower-cost alternative to the use of private vehicles. Recipients must ensure that adequate insurance 	<ul style="list-style-type: none"> ⊗ Change and cancellation fees for air travel unless the cancellation is on request from NGIF. ⊗ Vehicle allowance for rental or leased vehicle. ⊗ Parking fines, traffic violation fines (including photo radar), and impoundment/ towing fees when driving a company, leased, rented or personal vehicle on approved project business. ⊗ No show and cancellation charges for hotel cancellations unless the cancellation is on request from NGIF. ⊗ Meals received at public expense or without charge. ⊗ Expenditures for which receipts are not available.

<p>coverage is in place when using rental vehicles. Recipients must obtain a competitive rate for vehicle rentals; only compact or mid-size rates are eligible expenses, subject to usage requirements, as defined in the funded project proposal and work plan.</p> <ul style="list-style-type: none">- Parking - only receipted parking charges for rental vehicles used for approved Project business. <ul style="list-style-type: none">○ Taxi Claims for taxis while travelling on Project business will be reimbursed at cost when other more economical means of transportation are either unavailable or unsuitable. <ul style="list-style-type: none">✓ For all project recipients and all types of vehicles, toll charges for travel on approved project business. <ul style="list-style-type: none">✓ Other Travel Expenses (Meals, Accommodation): Reasonable out-of-pocket expenses incurred while performing work directly related to the approved project are eligible. All expenses are to be supported by receipts and all travel expenses incurred must be consistent with the Project work plan and budget schedules. <ul style="list-style-type: none">○ Hotel Cancellation Project Recipients are responsible for cancelling hotel reservations in time to avoid penalty as per the hotel's Cancellation Policy, i.e., "no show" or cancellation charges. <ul style="list-style-type: none">○ Meals Meal and allowances must be consistent with those provided by the provincially regulated authorities in project location. Refer www.canada.ca for meal and	
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<p>allowance rate. Supporting receipts are not required.</p> <ul style="list-style-type: none"> ○ Gratuities Tips and gratuities are part of per diem allowances. <p>Additional Limits & Conditions:</p> <ul style="list-style-type: none"> ✓ Any exceptions must be approved in advance and in writing by NGIF. All project recipients claiming travel and accommodation expenses must maintain detailed, comprehensive records for review by NGIF. Attached to each record must be original or copy of/scanned receipts for the associated expenses claimed. Only expenses where a receipt is attached will be considered eligible. 	
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2.2. INDIRECT AND ADMINSTRATIVE EXPENSES

Eligible Expenses	Ineligible Expenses
<ul style="list-style-type: none"> ✓ Administrative / Overhead Expenses: Overheads which are directly related to the Project are chargeable to the project. Examples of normal company overhead charges may include, but are not limited to the following: <ul style="list-style-type: none"> ○ Administrative salaries for project-related activities ○ Office supplies related to the Project ○ Information technology charges directly related to the Project ○ Insurance (pro-rated to project activities and assets) ○ Utilities (pro-rated to project activities) <p>All expenses must be sufficiently detailed, itemized and shown separately in budgets and later documented through invoices and general ledgers.</p> <p>NGIF reserves the right to limit overhead payments should it deem appropriate.</p>	<ul style="list-style-type: none"> ⊗ Foreign Currency Risk NGIF does not accept any foreign currency risk. Any project cost or funding changes as a result of foreign currency fluctuations are to be borne solely by the Recipient. Any recipient operating in a foreign jurisdiction must make appropriate provisions to manage the risk of foreign currency fluctuations during the project period. ⊗ Expenses in respect of entertainment such as movies, liquor etc. ⊗ Expenses of advertising, travel, or other expenses associated with hiring new personnel for a project. ⊗ Product marketing. ⊗ Subscriptions to magazines, journals and other publications. ⊗ Tuition fees and membership fees.

<ul style="list-style-type: none"> ✓ Publications and Reports <ul style="list-style-type: none"> ○ Expenses incurred in preparing progress reports for NGIF are considered to be a part of the project. ○ Expenses for extension and publication of research results may be considered eligible as long as prior written approval is obtained from NGIF. ✓ Attendance at a Conference: Expenses to a maximum of \$2,500 (\$5,000 for international conferences) for travel expenditures and attendance at conferences in the case where the NGIF recipient is a presenter and the information presented is directly related to the Project. If the conference has paid for any expenses related to travel then the project recipient cannot also claim these amounts from NGIF. Conference details and location must be documented in the budget at the time of submission and approved by NGIF. A summary report of conference findings/results should be provided. ✓ Non-recoverable taxes paid on eligible project expenses. <p>Additional Limits & Conditions:</p> <ul style="list-style-type: none"> ✓ Any exceptions must be approved in advance and in writing by NGIF. 	<ul style="list-style-type: none"> ⊗ Protection of Intellectual Property: NGIF does not support proprietary project investment. Expenses associated with protecting a project's results, e.g., patenting, licensing, copywriting, etc. ⊗ Conference - In case the conference has paid for any expenses related to travel then the project recipient cannot claim these amounts from NGIF.
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2.3. REVENUE GENERATION ACTIVITIES

Applicants must ensure that sufficient financing is in place to carry out the entire Project without relying on revenue potential from project activities. If revenue is likely to be generated from project activities/assets, the applicant should note this in the NGIF Investment Proposal and include the assumptions for the unconfirmed amount.

Note: Questions for NGIF about expense eligibility that are not fully addressed in this document can be sent to mbretzlaff@cga.ca. Through this contact address, Applicants will be directed to appropriate personnel within NGIF to address their questions.