

BY E-MAIL

September 3, 2020

Ms. Christine E. Long  
Board Secretary and Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4  
[BoardSec@oeb.ca](mailto:BoardSec@oeb.ca)

Dear Ms. Long:

**Re: Lagasco Inc.  
Classification of Pipelines in Haldimand County  
OEB Staff Interrogatories to the Municipal Property Assessment  
Corporation  
OEB File No. EB-2019-0166**

In accordance with Procedural Order No. 2, please find attached the OEB staff interrogatories to the Municipal Property Assessment Corporation (MPAC) on its evidence in this proceeding. This document has been sent to MPAC and copied to Lagasco Inc. and all intervenors.

MPAC is reminded that its response to the interrogatories are due by September 17, 2020.

Yours truly,

*Original signed by*

Ritchie Murray  
Project Advisor

c. Karey Lunau, [lunau@cdglaw.net](mailto:lunau@cdglaw.net)  
William Bortolin, [bortolinw@bennettjones.com](mailto:bortolinw@bennettjones.com)  
Jennifer Lewis, [jlewis@lagasco.ca](mailto:jlewis@lagasco.ca)  
Jane E. Lowrie, [jlowrie@lagasco.ca](mailto:jlowrie@lagasco.ca)  
Philip Tunley, [phil@tunleylaw.ca](mailto:phil@tunleylaw.ca)  
Hugh Moran, [opi@ontariopetroleuminstitute.com](mailto:opi@ontariopetroleuminstitute.com)

Encl.

**LAGASCO INC.  
CLASSIFICATION OF PIPELINES IN HALDIMAND COUNTY  
EB-2019-0166**

**OEB STAFF QUESTIONS TO THE MUNICIPAL PROPERTY ASSESSMENT  
CORPORATION**

**OEB Staff No. 1**

**Ref.:** Lagasco Inc.'s application and pre-filed evidence  
Lagasco's response to OEB staff interrogatory No. 3 e)  
MPAC's evidence, page 2

**Preamble**

Lagasco Inc. (Lagasco) filed an application on June 7, 2019 and pre-filed evidence on May 25, 2020 (collectively the Application) requesting an order determining whether or not certain of its natural gas pipelines in Haldimand County (Pipelines) are gas transmission pipelines pursuant to Section 25(3) of the *Assessment Act, R.S.O. 1990* (Assessment Act).

MPAC states that pipelines are real property and are subject to assessment and municipal taxation. MPAC states that pipelines for the transportation or transmission of gas or oil are assessed using the Linear Method and that all "other" pipelines are assessed using the Current Value Method.

Lagasco submits that the Pipelines are gas gathering lines not transmission lines, and therefore should be exempt from municipal taxation.

**Questions**

- a) Please explain how the Current Value Method is applied to the assessment of "other" pipelines. Please include as part of the response how the Current Value Method accounts for depreciation of the pipelines.
- b) If the pipelines were classified as "other" pipelines, and therefore were subject to taxation under the Current Value Method, would the end result be that Lagasco would be exempt from municipal taxation? If not, please explain your understanding of the statement by Lagasco that "the Pipeline are gas gathering lines not transmission lines and therefore should be exempt from

taxation”.

- c) If the Current Value Method were applied to the Pipelines, then are there any circumstances under which there would be no municipal taxes owing? Please include in the response whether this is the result of the tax burden being shifted to another entity; if so, please explain.
- d) Please provide a summary table in the following format that compares the assessed value of the Pipelines under the Linear and Current Value methods for the years 2016-2019? If MPAC does not have sufficient information to determine the assessed value of the Pipelines using the Current Value Method, then please provide an explanation of MPAC’s understanding of whether the assessed value would be higher or lower compared to using the Linear Method.

Year	Linear Method (LM)	Current Value Method (CVM)	Difference (CVM - LM)
2016			
2017			
2018			
2019			

## **OEB Staff No. 2**

**Ref.:** Lagasco Inc.’s application and pre-filed evidence  
MPAC’s evidence

### **Preamble**

Neither Lagasco nor MPAC stated whether the gas reserves associated with the Pipelines are subject to municipal taxation.

### **Question**

Can MPAC confirm whether Lagasco’s gas reserves are in any way subject to municipal taxation? If so, please explain and make note in the response whether or not MPAC is involved in the process of assessment and taxation of the gas reserves.

### **OEB Staff No. 3**

**Ref.:** *Assessment Act, 1990*, section 25 (2)  
MPAC evidence, page 4

#### **Preamble**

The Assessment Act defines a pipeline as “a pipe line for the transportation or transmission of gas that is designated by the owner as a transmission pipe line...”.

MPAC states that it “relies on pipeline companies to report or designate their pipe lines, and it assesses (or ceases to assess) the pipe lines based on the information, reports and designations it receives.”

MPAC states that its standard procedure, when advised by owners that they have installed new pipelines, is to confirm the location, type, pipe diameter and length, and year installed. Once this information has been confirmed, MPAC adds the new pipeline to the assessment roll for the municipality. On receiving the information, the pipeline would be assessed on the next assessment roll.

MPAC states that the Pipelines have been assessed since they were designated by their then owners. In accordance with MPAC’s document retention policy, the records concerning the designation of the Pipelines have been destroyed.

#### **Questions**

- a) Is it possible for a pipeline company to report but not designate its pipelines? If this is possible, then please explain what actions MPAC would take in response.
- b) What advantage is there to a pipeline owner to designate a pipeline as a “transmission” pipeline as opposed to not designating the pipeline and therefore having it assessed as an “other” pipeline?
- c) Please confirm that it is MPAC’s position that by virtue of the fact that the Pipelines have been and continue to be assessed, then it necessarily follows that they were at one time designated by the owner. If this cannot be confirmed, then please explain.
- d) For how many years does MPAC keep the reports or designations filed by pipeline companies before these records are destroyed?

- e) Why does MPAC's retention policy require or allow documents relating to an owner's designation of its pipeline(s) to be destroyed?
- f) Further to the last question, does MPAC have any means of confirming that an owner has designated its pipeline as transmission pipeline after the record of any such designation has been destroyed? If so, please explain.
- g) Has any owner of any real property ever successfully challenged the classification of its property by MPAC for the purposes of municipal tax assessment on the grounds that MPAC's records were incorrect? If so, please explain.
- h) If the OEB were to determine that Lagasco's gas pipelines are not "transmission" pipelines within the meaning of the Assessment Act, what would that mean with respect to the taxation of the pipelines? Would the pipelines fall under a different category of "real property" under the Assessment Act?

#### **OEB Staff No. 4**

**Ref.:** MPAC Evidence, Exhibit A - 2016 Current Value Calculation, page 4  
Pre-filed evidence of Jane E. Lowrie, page 5

#### **Preamble**

In its evidence, MPAC provides the 2016 assessed value Lagasco's pipeline assets. OEB staff summed the assessed value of the Pipelines, which are located in Dunville, Haldimand and Nanticoke, and found the total to be \$14,512,000. In its pre-filed evidence, Lagasco states that 2016 assessed value of the Pipelines was \$13,025,000.

#### **Question**

Please explain why there is a \$1,487,000 difference in the 2016 assessed value of the Pipelines as provided by MPAC and Lagasco. Is this the result of Lagasco including roll number 36 50 210 004 40216 (oil well) and roll number 36 50 010 003 23300 (compressor station) in its total?