



## Ontario Petroleum Institute Inc.

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November 20, 2020

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Attention: Ontario Energy Board Registrar  
Zulma DeBonis

**Re: EB-2019-0166: Lagasco Inc. and MPAC**

Dear OEB Board Members and Staff,

Thank you for receiving and considering our industry association letter.

The Ontario Petroleum Institute (OPI) is the industry association that represents the upstream oil and natural gas producing companies and related service companies and consultants, located primarily in southwestern Ontario. The OPI also represents numerous other producers, both crude oil and natural gas, that are active in southwestern Ontario. Lagasco is a member of our organization.

The OPI is an intervenor in the above-referenced case and is writing in support of Lagasco's position in this proceeding on the valuation and taxation of gathering pipelines. The Ontario Energy Board has assigned case EB-2019-0166 to this application, and has determined that an oral hearing will be held on December 2, 2020 to hear live evidence pertaining to this case. The OPI will be participating in the upcoming oral hearing.

In November 2018, OPI witnessed Lagasco Inc. (Lagasco) acquiring the assets of Dundee Energy Limited Partnership (Dundee). At the time of the Dundee asset acquisition, all of the former Dundee roll numbers were under appeal with the Assessment Review Board and remain under appeal to this day. The appeals relate to both the rolls for the onshore production facilities and the onshore and offshore gathering pipelines used as part of Lagasco's ongoing crude oil and natural gas production operations in Ontario.

The drastic over-valuation of gathering pipelines by MPAC has been a concern for our industry for many years. This concern has now grown into a crisis in recent years and is getting more and more urgent by the day as the resources deplete and the oil and gas revenues generated from the reserves are reduced year over year - yet MPAC valuations and taxes increase year over year. This situation represents a growing disconnect. Every single OPI producer has voiced similar concerns to those of Lagasco about the excessive growing municipal taxes levied, notwithstanding declining revenues and reduced usage of production facilities and gathering pipelines.

Ontario producers are closely following the above-referenced OEB hearing through the OPI as an intervenor. For some of our member companies, the MPAC assessments result in annual municipal tax assessments that can amount up to 55% of our total annual revenue! These exorbitant municipal property tax assessments will result in premature abandonment of producing oil and natural gas wells and facilities, leading to the failure of many producers and more orphaned wells. Several companies have already failed due to their inability to obtain fair municipal taxation based on realistic and accurate valuations.

The OPI and its producing members have been challenged for many years with excessive pipeline and facilities valuations and resulting taxation – and the disconnect worsens year over year. Many producers have appealed and challenged their assessments, in desperate need of a permanent solution, but to no avail. The *Assessment Act* needs ultimately to be amended to recognize the fair market value of our facilities and gathering pipelines as their value declines in accordance with the declines in associated production.

OPI recalls from the early 1988 gas deregulation hearings, that the OEB then declared, exercised and implemented its inherent jurisdiction to necessarily intercede, update and fix issues in the evolving industry, when legislation and regulation was out of date and in need of transition – without waiting for a slow-working legislative process to solve those pending issues.

In support of the OEB exercising its expert jurisdiction to rectify these problems now, it is also worthwhile noting the environmental liabilities related to the potential collapse of this ground-based resource industry. Failures to act and pro-actively regulate consistently with the realities of the industry, could cause serious environmental fall-out consequences from abandonment due to out-dated MPAC regulations that continue to be uncoordinated or nonsensical.

The OPI and its members are in strong support of the Lagasco application in EB-2019-0166. Without a timely solution to the over-valuation and taxation of gathering pipelines, this industry will cease to exist. Delays in finding a workable solution to the over-valuation has most recently contributed to the bankruptcy of the second largest Ontario producer.

Time is very much of the essence to find and implement a solution in the very near term. We at OPI trust that the OEB is competent, prudent, and will act in the public interest. The OEB is suitably savvy to be able to find the necessary legal jurisdiction to make the correct decision for this industry on this important issue, and OPI urges the Board to do so in the context of this proceeding.

Yours faithfully,



Jim McIntosh  
OPI Chairman  
Producers Committee  
Ontario Petroleum Institute

CC: Ministers Phillips, Thompson, McNaughton, Yurek, Hardeman; MPPs Bailey, Nicholls, Barrett, Bouma, Oosterhoff