

IMAC FINAL DIP REVIEW

CVR DIP REVIEW REPORT

November 3, 2024

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Objectives and Overview

This project entailed a thorough review of approximately 50% of the current oil and gas site inventory in the County of Vermillion River (CVR), conducted by Alberta's Provincial DIP assessors. The objective was to assess whether these evaluations complied with provincial standards and accurately captured all required components for Designated Industrial Properties. The findings and recommendations outlined in this report are intended for CVR and, ultimately, the Provincial Assessor, aiming to implement changes and correct accounts as specified under (S)305 of the MGA. This process is designed to support the Provincial Assessor in maintaining comprehensive and accurate records for DIPs.

In addition to findings from prior interim reports, this final report includes new insights for an upcoming discussion between CVR, the provincial DIP assessor, and the minister. The included attachments (inspection results) provide site-specific findings on Buildings and Structures (B&S) and Machinery and Equipment (M&E) inventories, including missing or unrecorded items. An additional column specifies sites needing natural gas assessments which will depend on verification of ownership regarding these gas lines where propane service is unavailable. IMAC has also estimated potential assessment values for each line item, categorized into B&S (subject to school levies) and M&E/natural gas assessments (exempt from school levies) to clarify the impact of full inspections and record updates.

Highlights of the Review

Regular inspections are essential to maintain updated information, as the oil and gas sector frequently changes inventory and operational status, unlike other assessments. This variability highlights the need for frequent inspections to ensure accurate, current asset assessments.

Inconsistencies across similar properties and sites were noted, possibly due to procedural variances and training gaps. Consequently, assessments may be both overvalued and undervalued. It is recommended that CVR request copies of pertinent policies, procedures, and assessment methodologies from the province to establish consistency.

Summary of Issues

The following issues were identified in the DIP assessment review for completeness and accuracy:

1. Inclusion of all M&E installations in assessment records. (Active and idle accounts)
2. Verification of M&E assessments to accurately reflect current site conditions.
3. Identification of installations inaccurately marked inactive that may, in fact, be operational.
4. Communication of discrepancies to the Provincial Assessor for corrective action.

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5. Completion of necessary (s)305 revisions.
 6. Support for CVR in updating assessment rolls to incorporate all identified improvements.
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Findings

The accounts reviewed represent approximately 50% of the 3,200 field sites in CVR. Key findings include:

1. Active accounts marked as inactive require verification and correction by the Provincial Assessor.
 2. New active sites, previously unlisted and thus uninspected by the province, have been identified, impacting assessments on a total of 46 sites/accounts and their equipment and buildings (missed accounts).
 3. Annual drilling in CVR is recorded in the Alberta Energy Board database as DRL&C (Drill and Capped); these sites should be prioritized for inspection in the upcoming year.
 4. Idle accounts found to be active, as previously reported in the interim reports to CVR and the province, have been submitted to the Provincial Assessor for corrective action.
 5. The attached inspection results spreadsheet provides a complete listing of findings for CVR's reference.
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Supporting Documentation of Findings

1. **Inactive Accounts:** Transitioned to active prior to the October 31 cutoff are listed in earlier reports to CVR and the province.
 2. **Building Assessment Errors:** Notable square footage miscalculations, including accounts 992482213 and 653160401.
 3. **Large Facilities:** Facilities with significant changes that necessitate immediate inspection by the province.
 4. **Tank Size Errors:** Recorded in US gallons rather than Imperial gallons (e.g., acct 995543203).
 5. **Inactive Building Allowance:** Inconsistent application of a 50% allowance, possibly due to non-standard provincial guidelines (e.g., acct 995543215).
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Final Comments

IMAC's Ongoing Responsibilities:

1. **Site Reviews:** Continuing site reviews in 2025 to verify M&E and B&S improvements.
 2. **Support for Assessment Changes:** Assisting CVR in reviewing assessments once the Provincial Assessor completes the (s)305 adjustments.
 3. **Future Review Preparation:** Pending CVR approval, IMAC will prepare for 2025 reviews, incorporating insights from this review phase.
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Alternate Procedures/Steps and Potential Dollar Impacts

Should the province not proceed with CVR's proposed adjustments, CVR may pursue the following steps to address identified discrepancies.

Tax Impacts by Category Linear and M&E are the same Mill Rate

B&S: \$2,800,230.00 → Potential tax: \$58,093

M&E: \$28,326,300.00 → Potential tax: \$486,203

Natural Gas to Site: \$6,000,000 → \$102,986 (subject to ownership review)

Total Estimated Tax Implications: \$647,283

1. **Filing a Complaint:** Formal complaint submission with the Land and Property Rights Tribunal (LPRT), CARB or the Assessment Appeal Board to address category discrepancies.
2. **Province's Defense with Oil Company Support:** The province, supported by oil companies, may defend current assessments to mitigate impacts.
3. **Precedent-Setting Nature of Appeal:** A CVR appeal success would set a key precedent in Alberta, influencing broader assessment practices.
4. **Sustained Tax Levy Implications:** A favorable ruling for CVR would enforce accurate tax levies, affecting both the CVR and oil companies significantly.

Possible Impacts of Court Hearing Results on Stakeholders

A favorable court outcome would generate the following impacts:

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1. **Annual Tax Impact on Oil Companies:** Approximately \$647,283 annually, starting in the decision year and continuing with AYM and depreciation adjustments.
2. **Annual Revenue Impact for CVR:** Estimated at \$647,283, beginning in the decision year and recurring with applicable modifiers.

Anticipated Costs for the Hearing

1. **Province and Oil Companies' Defense Costs:** Substantial resources allocated by the province and supported by oil companies for a comprehensive defense.
2. **Estimated CVR Costs:** Projected between \$300,000 to \$500,000, reflecting the scale and complexity of this unprecedented appeal.

In conclusion, a negotiated resolution, particularly regarding Natural Gas to Site assessment, would likely be in the best interests of all parties.